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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 2005 **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:

349,570,048 Common Shares outstanding as of 31 December 2005 (as adjusted for the 17 February 2006 two-for one stock split by way of stock dividend)

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.

o Yes þ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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.

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 17th day of March, 2006.

CAMECO CORPORATION

Per: *"O. Kim Goheen"*
O. Kim Goheen
Chief Financial Officer

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CERTIFICATIONS AND DISCLOSURE REGARDING CONTROLS AND PROCEDURES

(a) ***Certifications.*** See Exhibits 99.6 and 99.7.

(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 control 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, 2005, 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.

Audit Committee Financial Expert. Cameco Corporation's board of directors has determined that an audit committee financial expert serves on its audit committee. The audit committee financial expert is John H. Clappison. He replaced Victor J. Zaleschuk as audit committee financial expert on February 23, 2006. Mr. Clappison is an "independent" director as such term is used in the rules of the New York Stock Exchange.

Code of Ethics. Cameco Corporation's code of conduct and ethics, corporate governance guidelines 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. 99.4.

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. 99.3 — 2005 Management's Discussion and Analysis and the notes for Exhibit No 99.2 — 2005 Consolidated Audited Financial Statements:

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1. **Financial assurances** – in MDA disclosed at Nuclear Electricity Generation Business on page 23 Liquidity and Capital Resources on page 32, Risks and Risk Management on page 35, and disclosed in notes 6, 7, and 22 of the consolidated financial statements.
2. **Derivative instruments** – in MDA disclosed at Uranium Business on page 7, Risks and Risk Management on page 35, Critical Accounting Estimates on page 46 and disclosed in note 22 of the consolidated financial statements.
3. **Long-term product purchase contracts** – in MDA disclosed at Uranium Business on page 7 and Liquidity and Capital Resources on page 32 and disclosed in note 21(h) of the consolidated financial statements.

Tabular Disclosure of Contractual Obligations. Disclosure is contained in Exhibit No. 3 – 2005 Management's Discussion and Analysis under the heading "Liquidity and Capital Resources" 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 John H. Clappison. Mr. Clappison joined the committee on February 23, 2006, replacing Victor J. Zaleschuk.

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

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 corporate governance guidelines which can be found at Cameco Corporation's website at www.cameco.com under Governance.

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EXHIBIT 99. 1

Cameco Corporation
Annual Information Form
March 17, 2006



Cameco Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2005

Dated March 17, 2006

Cameco Corporation
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REPORTING CURRENCY AND FINANCIAL INFORMATION

All monetary 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, 2005, which are incorporated herein by reference.

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.", "Risk Factors" 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, gold, conversion services and electricity in Ontario; the impact of the change in sales volume of uranium, conversion and fuel manufacturing services, 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 production, reserve, decommissioning, reclamation and tax estimates; adverse mining conditions; unexpected geological or hydrological conditions; operating performance (including any disruption thereto) and life of the company's and customer's facilities; reduction in electricity generated due to 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; risks associated with the transport of uranium and chemicals and fuel used in the production process; political risks arising from operating in certain developing countries; terrorism; sabotage; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including nuclear energy, environmental, tax and trade laws and policies; demand for nuclear power; failure to replace production; failure to obtain and maintain 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; natural phenomena including inclement weather conditions, fire, flood, underground floods, earthquakes, pit wall failures and cave-ins; ability to maintain and improve positive labour relations; strikes or lock-outs; 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, 2005 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 person 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 US reporting purposes, Industry Guide 7 under the Securities Exchange Act of 1934 (as interpreted by the Staff of the US Securities and Exchange Commission) applies different standards in order to classify mineralization as a reserve. Accordingly, for US reporting purposes, as at December 31, 2005, the mineralization at the Ruth uranium in situ leach project in Wyoming is classified as mineralized material. In addition, for US 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 $22.70 (US) per pound U_3O_8 was used. For the purpose of estimating reserves in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $19.60 (US) per pound U_3O_8 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 and in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves were calculated with cut-off grades based on a gold price of $400 (US) per ounce.

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. 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" and "Risk Factors".

Definitions

A ***mineral resource*** is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial materials 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, and 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.

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.

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"). Pursuant to the Reorganization, 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.

Cameco's articles, pursuant to the requirements of the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) as amended and *The Saskatchewan Mining Development Corporation Reorganization Act*, contain certain constraints and restrictions. For a description of them, please see "Description of Securities".

In 2002, Cameco's articles were amended 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%. The articles were amended in 2003 to permit the board to appoint one or more directors between meetings of shareholders as permitted by the CBCA, subject to certain limitations, and to remove the requirement that the chairman of the board must be ordinarily resident in the province of Saskatchewan.

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” or “BPLP”), 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. It is publicly traded on the Toronto and New York stock exchanges. 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 and uranium conversion services. Cameco is also one of the four significant converters of uranium concentrates (“U_3O_8”) to uranium hexafluoride (“UF_6”) in the western world, the only commercial supplier of services to convert uranium concentrates to uranium dioxide (“UO_2”) in the western world, and one of two Canadian commercial suppliers of fuel fabrication services for CANDU reactors. Cameco subsidiaries have a 31.6% limited partnership interest in Bruce Power that leases and operates four Bruce B reactors. The Company continues to explore for uranium in a number of countries.

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

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, 2003 to December 31, 2005 were as follows:

2003

- In February 2003, the purchase of 79.8% of Bruce Power from British Energy plc (“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%.
- 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 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 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

- 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 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 April 2004, Cameco and the National Atomic Company of Kazakhstan (KazAtomProm) announced plans to develop the Inkai uranium deposit in Kazakhstan through their Joint Venture Inkai.
- 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 restructuring of its gold interests pursuant to which it transferred substantially all of its 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.
- 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 December 2004, Cameco announced that its board of directors approved a three-for-one stock split of its outstanding common shares. 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 having received regulatory approval for construction, decided to proceed with the development of the Cigar Lake uranium deposit at an estimated cost of approximately $450 million (Cameco's share is $225 million).

2005

- Construction at Cigar Lake began in early 2005 and the mine is scheduled for operation in the first half of 2007, subject to regulatory approval. The capital cost is now estimated to be $520 million of which Cameco's share is 50%.
- In March 2005, Cameco entered into a 10-year toll-conversion agreement with British Nuclear Fuels plc ("BNFL") to purchase all of the uranium conversion services produced at BNFL's Springfields U.K. plant.

- Regulatory approvals were received and initial foundation work has begun for the commercial uranium mine facility located at Inkai, Kazakhstan and Cameco agreed, subject to executing formal amendments, to increase its loan to the joint venture to a maximum of $100 million (US). The capitalized cost to bring the new facility to commercial production is estimated at $92 million (US).
- In October 2005, the ownership interests in Bruce Power were restructured. Cameco's 31.6% Bruce Power interest now includes only the four Bruce B units and not the four Bruce A units. Cameco elected not to invest in the planned $4.25 billion program to increase output from the A units.
- Due to incremental changes in Bruce Power's governing limited partnership agreement, which resulted in joint control among the three major limited partners, effective November 1, 2005 Cameco began to proportionately consolidate Bruce Power's financial results rather than account for them using the equity method.
- In December 2005, Cameco sold its 6.7% interest in Energy Resources of Australia Ltd., an Australian uranium producer, for gross proceeds of Aus $121 million. Net proceeds to Cameco after transaction fees and taxes were approximately Cdn $87 million.
- In December 2005, Cameco announced that it had agreed to buy 100% of Zircatec Precision Industries, Inc., ("ZPI") a Canadian manufacturer of nuclear fuel bundles. The purchase was completed on February 1, 2006 at a purchase price of $108 million, which is subject to closing adjustments.

2006 Expected Material Developments

Significant material developments that Cameco expects to occur in 2006 or that have occurred prior to date of this Annual Information Form include the following:

- In January 2006, Cameco announced that, based upon updated reserves estimates and current mining plans, the Kumtor mine life has been extended by almost three years and the Boroo mine life has been extended by more than one year.
- In January 2006, Cameco announced that its board of directors approved a two-for-one stock split of its outstanding common shares. The board of directors also approved an increase in the annual dividend from $0.12 to $0.16 beginning in 2006 (both annual dividend amounts adjusted for the stock split).
- Cameco will be negotiating a new collective agreement for unionized employees at McArthur River and Key Lake operations, as their agreement expired December 31, 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 2015, primarily as a result of new reactor construction 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 (also known as fuel manufacturing). 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 and uranium conversion services from third parties; (d) supplying fuel fabrication services for CANDU reactors; (e) selling produced and acquired uranium and uranium conversion services to utilities; and (f) the generation and sale of electricity through its 31.6% limited partnership interest in Bruce Power, which leases and operates four Bruce Power B reactors.

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. World annual uranium fuel consumption has increased from approximately 75 million pounds U_3O_8 in 1980 to about 175 million pounds in 2005. Cameco estimates that annual uranium fuel consumption in the world will reach 217 million pounds in 2015, reflecting an annual growth rate of 2% 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.

Supply

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, recovery of depleted uranium tails 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 2004 (the latest year for which figures are available), over 80% of the estimated world production of 105 million pounds U_3O_8 was provided by eight producers: Cameco, Cogema, Energy Resources of Australia Ltd., KazAtomProm, WMC Resources Ltd. (acquired by BHP Billiton in 2005), Rossing Uranium Limited, 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, Niger, Russia, Namibia, Uzbekistan, and the US.

The Canadian uranium industry has, in recent years, been the leading supplier with production of approximately 30 million pounds U_3O_8 in 2004, equivalent to about 29% of world production. Production from Cameco operated mines in Canada and the US in 2005 was approximately 27 million pounds. Cameco's share of this production was approximately 21 million pounds.

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

Secondary Sources

Each year since 1985, world uranium production has been less than 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. In addition, in recent years, re-enriched depleted uranium tails have been generated using excess enrichment capacity. Cameco estimates these two recycling sources will meet about 10% of world demand to 2015. Finally, uranium derived from the dismantling of Russian nuclear weapons (the agreement for which will end in 2013) has become a significant source of supply, expected to meet about 10% of world demand to 2015. 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 2005 was 16 million pounds U_3O_8. In 2006 the quota will be 17 million pounds and thereafter will increase by 1 million pounds per year to a maximum of 20 million pounds per year beyond 2008.

Certain of the Russian Disarmament Uranium has been purchased by the US Department of Energy ("DOE"). DOE currently holds a stockpile of 58 million pounds U_3O_8 equivalent, containing both this and US material that is to be withheld from the market until 2009, as a condition of the Russian HEU Agreement.

In 2004, DOE asked for expressions of interest to purchase approximately 8 million pounds of US HEU. In 2005, the DOE announced it will instead reserve this material for an IAEA verifiable supply arrangement for countries that forego uranium enrichment and reprocessing activities.

In 2005, DOE announced that the US was removing 200 metric tons of excess military HEU from its stockpile, equivalent to 8,000 nuclear warheads. Of the 200 metric tons, 160 metric tons will be used by the US Navy, 20 metric tons will be reserved for the US space program and for research reactors, and 20 metric tons (equivalent to 16 million pounds U_3O_8) will eventually be down-blended to LEU for use in civilian nuclear power reactors or research reactors. Cameco expects that it will take until about 2030 for all the HEU designated for downblending to become available.

Russia plans to deliver LEU from 30 tonnes of HEU, about 24 million pounds U_3O_8 equivalent, per year 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 2005, about 206 million pounds U_3O_8 equivalent had been delivered.

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 which 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 was 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 the 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.

On June 16, 2004, the HEU Commercial Agreement was further amended to provide, 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 LEU. This amendment was due to Russia's rising requirements for uranium to fuel its expanding nuclear plant construction program within Russia and abroad. 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, as well as Tenex's 2003 decision to end further sales of its share of this material and return it to Russia, the amount of HEU-derived uranium that would have been available to the market in the western world was 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 44 million pounds that was in the monitored stockpile as of the end of 2003. At the end of 2005, Cameco estimates there was 31 million pounds in the monitored stockpile.

Trade Restraints and Policies

As a result of anti-dumping proceedings brought in the early 1990s, the US and certain countries entered into suspension agreements to limit access to the US market. Only the suspension agreement with Russia remains in effect. A matching provision under the agreement, where up to 4 million pounds of Russian U_3O_8 (separate and apart from the Disarmament Uranium described above) per year could be imported into the US if matched with an equal volume of new US sales, expired in March 2004. In 2005 the US Department of Commerce ("DOC") commenced a sunset review of the Russian suspension agreement. This review involves 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 DOC plans to issue its preliminary results in March 2006. The final results of DOC's review are expected to be issued in the second quarter of 2006.

The US restrictions have no effect on the sale of Russian uranium to other countries. About 70% of world uranium requirements arise from utilities in countries unaffected by the US restrictions. In 2005, approximately 36% of Cameco's sales volume was to countries unaffected by the US restrictions. Utilities in some of these countries adopt policies that 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.

The Euratom Supply Agency ("ESA") in Europe, which must approve all uranium related contracts entered into by members of the EU, limits the use of nuclear fuel supplies from any one source in order to maintain security of supply (historically at an informal level of about 20%). In the 2005 Euratom Annual Report, the ESA stated they will continue to monitor the market to ensure diversity of supply and avoid overdependence on any single source, but noted that in recent years restrictions on imports of natural uranium have not been deemed necessary.

Prices

Utilities secure a substantial percentage of their uranium requirements by entering into long-term contracts with uranium producers. Uranium contract terms generally reflect market conditions at the time the contract is negotiated. These contracts usually provide for deliveries to begin one to four years after signing and continue for several years thereafter. In awarding these contracts, utilities consider the commercial terms offered, including price, as well as the producer's performance record and uranium reserves.

Prices are established by a number of methods including fixed prices adjusted by inflation indices, reference prices (spot price indicators or 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 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 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. Spot market demand in 2005 increased to about 35 million pounds U_3O_8 from 20 million pounds U_3O_8 in 2004.

The industry average spot price for U_3O_8, published by TradeTech and the U x Consulting Company, LLC, increased by approximately 77% in 2005 ending the year at $36.38 (US) per pound compared to $20.60 (US) per pound at the end of 2004. The long term average contract price for uranium, as published by TradeTech and the Ux Consulting Company, LLC, increased in 2005 by approximately 45% ending the year at $36.13 (US) per pound compared to $25.00 (US) per pound at the end of 2004.

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 long-term 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 for use by utilities in Argentina, Belgium, Canada, Finland, France, Germany, Japan, South Korea, Spain, Sweden, Taiwan, United Kingdom, and the US.

In 2005, approximately 45% of Cameco's U_3O_8 sales were to five customers. Cameco currently has commitments in excess of 200 million pounds U_3O_8 under long-term contracts with about 44 customers worldwide. Cameco's five largest customers account for approximately 56% of these commitments. 48% of Cameco's committed sales volume is to purchasers in the Americas (US, Canada and Latin America), 11% in the Far East and 41% 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 similar purchases in the future. At December 31, 2005, Cameco had firm commitments to purchase approximately 59 million pounds U_3O_8 over the 2006-2013 period, of which 54 million pounds is the result of the exercise of options under the HEU Commercial Agreement by a Cameco subsidiary.

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 blended with stockpiled mineralized waste from McArthur River or with stockpiled low grade ore from Key Lake deposits. Mining at Key Lake ended in 1997.

The following table shows Cameco's share of uranium production for the past three years and its share of 2006 planned production from its uranium properties (all in pounds U_3O_8):

	2003	**2004** (1)	**2005** (1)	**2006** (1)
McArthur River (2)	10,579,000	13,066,000	13,066,000	13,100,000
Rabbit Lake	5,928,000	5,427,000	6,022,000	5,900,000
Smith Ranch-Highland	1,201,000	1,242,000	1,325,000	1,600,000
Crow Butte	823,000	826,000	832,000	800,000
Total	18,531,000	20,561,000	21,245,000	21,400,000

Notes:

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

(2) Milled at Key Lake.

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, 2005, the Company's share of proven and probable reserves was 507,000 tonnes of ore containing 271.6 million pounds U_3O_8 with an average grade of 24.3% U_3O_8, its share of measured and indicated resources was 56,000 tonnes of ore containing 11.6 million pounds U_3O_8 with an average grade of 9.3% U_3O_8, and its share of inferred resources was 408,000 tonnes of ore containing 66.2 million pounds U_3O_8 at an average grade of 7.4% 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 4 years after 2005.

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.

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 be shipped 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 throughout the 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, significant 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 forested lands 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 original joint venture partners 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 mineralization 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.

Underground exploration began in 1993 and continued until 1997. Following review of the environment impact statement, public hearings, and receipt of approvals from the governments of Canada and Saskatchewan, the Atomic Energy Control Board ("AECB") issued construction licenses for McArthur River in August 1997 and May 1998. In October 1999, Cameco received an operating license 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. 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. The third shaft is equipped as an emergency means of egress. The first and third shafts are 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 amounts of 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 to surface for storage in four ore slurry holding tanks. Ore is drawn out of the 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 was 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 was completed in 2005 to increase the permanent and contingency water treatment capacity to about 1,500 m^3/hr.

The mining method for some portions of the ore body will not be the raise boring method. Alternate mining methods in the current plans for these portions of the ore body include boxhole boring, jetboring and blasthole stoping.

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. In 2005, 18.7 million pounds U_3O_8 (Cameco's share was 13.1 million pounds) was produced by toll milling McArthur River ore at Key Lake.

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 in the blended ore is then dissolved in a leaching circuit. The resulting uranium bearing solution is separated from the barren ore solids in a counter current decantation circuit and is further concentrated in a solvent extraction circuit. The uranium is precipitated out of solution by the addition of ammonia, producing ammonium diuranate that is thickened and centrifuged before the uranium is transferred to a calciner. The calciner dries and calcines the uranium 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 previously indicated that the proposed increase of the production license to 22 million pounds U_3O_8 per year would require a screening level environmental assessment (EA) under the *Canadian Environmental Assessment Act* (CEAA). A hearing was held on September 15, 2004 to review EA guidelines for the production increase. The CNSC is considering the appropriate process to complete its review of the impacts associated with this proposed increase. Once the process is identified, Cameco will be in a better position to estimate the time required for the CNSC to reach a decision. If approval is received, Cameco expects it will take about two years to ramp up production to a sustained level, with a planned production rate of approximately 21 million pounds. This production rate may change as Cameco gains experience in ramping up production at McArthur River and Key Lake.

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 which was mined out in the 1990s. 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.

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 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 planned to be mined with the raise boring method are in situ reserves without provision for dilution or mining recovery because:

  (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 license; and

  (ii) mining recoveries since early 2000 to the end of 2005 have either exceeded or matched expectations.

(b) The reserves planned to be mined with the boxhole boring, jet boring and blasthole stoping methods take dilution and mining recovery into account.

(c) The reported resources do not include allowances for dilution and mining recovery.

(d) For the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $22.70 (US) per pound U_3O_8 was used. For the purpose of estimating reserves in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $19.60 (US) per pound U_3O_8 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 density measurements of drill core and chemical assay grades.

(c) Limits and continuity of the mineralization are structurally controlled.

(d) Reserves at McArthur River are based on estimated quantities of uranium recoverable by the current raise bore mining method and the currently planned mining methods of boxhole boring, jetboring and blasthole stoping.

3. Key Methods

(a) Three-dimensional wire frame 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.

(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 or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates.

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. The 2005 drilling results have added 2.8 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.

Subject to regulatory approval, it is expected that the Rabbit Lake mill will process just over one-half of Cigar Lake uranium. 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**.** Guidelines that define the scope of the environmental impact statement were approved by the province of Saskatchewan in November 2005 and were approved by the CNSC with only minor modifications in December 2005.

Crow Butte

Crow Butte is an ISL uranium operation located near Crawford, Nebraska. 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”.

Smith Ranch-Highland

Smith Ranch — Highland is an ISL uranium operation located near the towns of Glenrock and Douglas, Wyoming. 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”. The Smith Ranch mill processes all Smith Ranch and Highland ISL mined uranium.

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 licenses.

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, 2005, 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 19.1% U_3O_8 and inferred resources of 159,000 tonnes of ore containing 59.1 million pounds U_3O_8 with an average grade of 16.9% U_3O_8.

A construction license for Cigar Lake was issued by the CNSC on December 20, 2004. Construction of the Cigar Lake project began on January 1, 2005 and will take approximately 27 months to complete. Subject to regulatory approval, 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.

Cameco is currently preparing supporting documentation for an operating license application for the Cigar Lake project. CNSC staff and Cameco are also reviewing requirements to allow the transition from a construction to an operating license. Specifically, Cameco is discussing the process of commissioning the mining and ore processing equipment, after the CNSC is satisfied that the project can advance towards full-scale operation. Cameco needs to apply for an operating license by early 2007 to allow for mine production in the first half of 2007.

Through its experience in constructing and operating uranium mines in Saskatchewan, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Saskatchewan. Based upon its experience to date, Cameco believes that all permits and approvals required for the construction and operation of the Cigar Lake mine will be obtained in a timely fashion.

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 500 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 mine site was initially developed for the activities of test mining. The Cigar Lake mine site is compact, occupying approximately an area of one kilometre in the east/west direction and 800 metres in the north/south direction. 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. A number of other facilities are currently under construction including a permanent access road, permanent residence, ore slurry load out facility, water treatment plant and a second mine shaft.

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.

Site accessibility, infrastructure and physiography

Access to the property is by an all weather road and by air. Supplies are transported by truck and can be shipped through Cameco's transit warehouse in Saskatoon. Site activities are carried out throughout the year despite cold winter conditions. The fresh air necessary to ventilate the underground workings is heated during winter months using propane-fired burners. 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 interruption. Personnel are recruited from the northern communities and major Saskatchewan 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 surface facilities are 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.

Public hearings on the project environmental impact were concluded in 1997 and, based on the recommendation of the joint federal-provincial panel, the governments of Canada and Saskatchewan 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. On June 30, 2004, the CNSC approved the environmental assessment and on December 20, 2004, the CNSC approved the full construction license for the Cigar Lake project.

In December 2004, the Cigar Lake joint venture approved a construction budget of approximately $450 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.

The capital costs for the Cigar Lake project are currently forecast to be $520 million (Cameco's share is 50%), a 15% increase over the initially approved budget. The increase is largely due to greater than anticipated contractor rates driven by the high level of construction activity in western Canada, increased energy costs and several scope additions for project optimization. The scope changes include increasing the capacity of power transmission lines serving the site, the addition of an overhead crane for maintenance of the mill, improvements to the site's sewage treatment plant and fire protection system, and expansion of the construction camp facilities. Also included are enhancements to Cigar Lake's environmental management system requested by the CNSC.

The development of the second shaft is approximately 85% complete and development of the underground workings is approximately 55% complete. Ground freezing of the first area planned for production began in September, 2005. Surface construction commenced in June.

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.

Mining Method

At Cigar Lake, Cameco plans to use the jet boring method, which has been examined through extensive test mining programs. Overall, the test mine programs were considered highly successful with all initial objectives fulfilled. However, as the jet boring mining method is new to the uranium mining industry, the potential for technical challenges exist. Cameco is confident that its experienced and innovative engineers will be able to solve the challenges that may arise during the initial ramp-up period.

Jet boring method 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. Subject to regulatory approval, beginning in 2009 just over half of the resulting uranium bearing solution will be transported to the Rabbit Lake mill for further processing. The remaining amount will be processed at the McClean Lake mill. 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.

   (d) For the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $22.70 (US) per pound U_3O_8 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 $19.60 (US) per pound U_3O_8 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.

   (c) Reserves at Cigar Lake are based on estimated quantities of uranium recoverable by a tested mining method.

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.

(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 or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates.

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%), 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) license for Block 1 and an exploration license for Blocks 2 & 3. The associated subsoil use contract, covering both licenses, was signed by the government and Joint Venture Inkai in July 2000. Test mining operations commenced in April 2002, following regulatory approval, and have continued since that time. At December 31, 2005, since the commencement of operations, the total production at the test mine was approximately 1.4 million pounds. Expansion of the test mine is underway to increase production and to test different areas of the ore body. The expansion is expected to be completed in the first quarter of 2006.

In September 2005, Joint Venture Inkai approved proceeding with an ISL commercial processing facility at Inkai, located at Block 1, at an estimated capital cost of $83 million (US). The estimate is now $92 million (US), up about 10% due primarily to inflation. Commercial development of Block 2 is planned for 2008. Subject to regulatory approval, commercial production is scheduled for 2007 with full production of 5.2 million pounds of U_3O_8 per year planned to be achieved by 2010 from Blocks 1 and 2. The regulatory authorities have approved the environmental assessment and design plan for the commercial facility and initial foundation work at the main processing plant and well field drilling has begun. Costs, net of sales proceeds from production, are capitalized until commercial production is achieved.

Subject to executing formal amendments, Cameco has agreed in principle to increase its loan to Joint Venture Inkai from $40 million (US) to a maximum amount of $100 million (US). Cameco has also agreed to reduce its financing fee from an effective 10% interest rate to one based upon three-month interbank offered rate (LIBOR) plus a financing fee based on the three-month London interbank offered rate (LIBOR) plus 2%. The $40 million (US) loan amount was based upon constructing a facility that would produce 2.6 million pounds annually. After Joint Venture Inkai commences commercial production, 80% of the cash available for distribution each year will be used to repay the loan until repaid in full.

The July 2000 subsoil use contract, entered into between Joint Venture Inkai and the government of Kazakhstan, lists the taxes, duties, fees, royalties and other governmental charges that are payable by Joint Venture Inkai. The tax law “On Taxes and other Compulsory Payments to the Budget” No.2235 dated April 24, 1995, as amended and in effect on the date this contract was signed, is the tax code that applies for the purposes of calculating these governmental charges.

Through its experience in constructing and operating the test mine, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Kazakhstan and based upon its experience to date, Cameco believes that all permits and approvals required for the construction and operation of the new ISL mine will be obtained in a timely fashion.

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. Subsidiary land positions also exist in the US, Australia and Canada outside of Saskatchewan. Cameco’s 2005 exploration expenditures were $25.7 million.

Cameco’s owns a range of participating interests in its exploration lands, and either owns or has the right to earn a majority interest in most of the company’s projects. At December 31, 2005, Cameco operated approximately 75 % 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. The nature of mineral exploration is such that discovery of economic deposits on new projects is uncertain and can take many years.

In 2005, 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, discovered at the Eagle Point mine, has been incorporated into planned mine production. Continued exploration to the north-end of the existing McArthur River deposit has outlined significant new results which have the potential to further expand resources with ongoing exploration drilling. Work on another advanced exploration project, the Cree Extension project, has increased the indicated resources at the Millennium deposit. The Cree Extension Joint Venture will undertake a pre-feasibility study on Millennium during 2006. Positive 2005 results on the Collins Creek zone, part of the Dawn Lake Joint Venture, will also be followed up in 2006, while a pre-feasibility study carried out on the Dawn Lake deposit itself found development to be uneconomic at this time.

Since the recovery of the world uranium market, and corresponding higher prices for uranium, the competitive environment for uranium exploration has changed. There are more than 300 uranium exploration companies listed on stock exchanges and most of these are actively funding new exploration programs in Canada and other regions. In the newly active sector, Cameco maintains an ongoing dialogue with numerous companies, with the objective of positioning the company for future participation in areas with promising results, and leveraging Cameco’s recognized position in the sustainable development of uranium resources worldwide. Cameco’s approach to future resource replacement will be to combine self-generated exploration activities with partnerships, joint ventures, or equity holdings in other companies with assets that meet the company’s investment criteria.

At December 31, 2005, Cameco owned a 21.74% 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. Cameco has, as long as it maintains a 20% or higher interest in UEX, certain rights related to financing and marketing production from future UEX uranium deposits. As well, Cameco has the right to mill uranium produced from properties it contributed to UEX at the time of its formation in 2002. In February 2006, Cameco participated in a private placement financing for UEX on a pro rata basis with its equity interest. This participation involved the purchase of 2,222,600 common shares of UEX at a price of $5.00 per share and leaves Cameco’s interest in UEX unchanged at 21.74%.

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, former Director, Mining Resources and Methods at Cameco.	Cigar Lake and Inkai
Steve Lunsford, Registered Professional Geologist, who is Chief Geologist at PRI	Crow Butte, Gas Hills-Peach, Highland, North Butte/Brown Ranch, NorthWest Unit, 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.")

Cameco reports all its mineral reserves as a quantity of contained ore supporting the mining plans and includes an 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, 2005 on a property basis and Cameco's share.

RESERVES (1) (5)	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)					
PROPERTY	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)
	(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	816.4	0.39	6.8	195.6	0.24	1.0	1,012.0	0.35	7.8	7.8	85%	ISL
Gas Hills — Peach	—	—	—	6,851.0	0.14	19.7	6,851.0	0.14	19.7	19.7	65%	ISL
Highland	672.8	0.12	1.8	1,016.6	0.12	2.7	1,689.3	0.12	4.5	4.5	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	363.4	24.38	195.3	363.6	24.17	193.8	727.0	24.28	389.1	271.6	99%	UG
North Butte/ Brown Ranch	—	—	—	3,874.6	0.10	8.5	3,874.6	0.10	8.5	8.5	80%	ISL
Rabbit Lake	176.7	0.80	3.1	206.4	1.73	7.9	383.1	1.30	11.0	11.0	97%	UG
Ruby Ranch	—	—	—	2,832.2	0.09	5.5	2,832.2	0.09	5.5	5.5	80%	ISL
Ruth (3)	—	—	—	853.7	0.10	1.7	853.7	0.10	1.7	1.7	80%	ISL
Smith Ranch	1,368.8	0.09	2.8	3,143.1	0.12	8.3	4,512.0	0.11	11.1	11.1	80%	ISL
Total (4)	26,657.0	—	472.2	83,090.8	—	333.3	109,747.8	—	805.5	526.4		

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 US reporting purposes as of December 31, 2005, 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 $22.70 (US) per pound U_3O_8 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 $19.60 (US) per pound U_3O_8 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 59 million pounds of uranium from January 1, 2006 until the end of 2013.

Uranium Measured and Indicated Resources

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

This section uses the terms "measured resources" and "indicated resources". US investors are advised that while those terms are recognized and required by Canadian securities regulatory authorities, the US 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, 2005 on a property basis and Cameco's share.

RESOURCES (1)	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED (100% basis)				
PROPERTY	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)
	(tonnes in thousands; pounds in millions)										
Crow Butte	—	—	—	1,475.8	0.25	8.1	1,475.8	0.25	8.1	8.1	ISL
Dawn Lake	—	—	—	347.0	1.69	12.9	347.0	1.69	12.9	7.4	OP&UG
Gas Hills — Peach	2,013.0	0.09	3.3	1,153.0	0.08	2.3	3,166.1	0.08	5.6	5.6	ISL
Highland	782.3	0.10	1.7	47.0	0.09	0.1	829.3	0.10	1.8	1.8	ISL
Inkai	—	—	—	11,033.0	0.06	14.2	11,033.0	0.06	14.2	8.5	ISL
McArthur River	40.9	10.21	9.2	39.8	8.39	7.4	80.7	9.33	16.6	11.6	UG
Millennium	—	—	—	449.0	4.63	45.8	449.0	4.63	45.8	19.2	UG
North Butte/ Brown Ranch	1,008.8	0.08	1.9	3,923.6	0.07	6.3	4,932.3	0.07	8.2	8.2	ISL
Northwest Unit	—	—	—	4,000.7	0.04	2.3	4,000.7	0.04	2.3	2.3	ISL
Rabbit Lake	—	—	—	456.3	0.74	7.5	456.3	0.74	7.5	7.5	UG
Reynolds Ranch	3,073.5	0.07	4.5	5,245.3	0.06	7.0	8,318.8	0.06	11.5	11.5	ISL
Ruby Ranch	156.0	0.18	0.6	108.0	0.06	0.1	264.0	0.12	0.7	0.7	ISL
Ruth	99.8	0.10	0.2	125.2	0.07	0.2	225.0	0.07	0.4	0.4	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	2,406.4	0.09	5.0	2,437.2	0.09	5.1	5.1	ISL
Total (3)	7,294.3	—	21.8	32,445.9	—	123.3	39,740.2	—	145.1	102.2	

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 Inferred Resources

Cautionary Note to Investors concerning estimates of Inferred Resources:

This section uses the term "inferred resources". US investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the US 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, 2005 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	2,802.1	0.16	10.1	10.1	ISL
Gas Hills-Peach	656.8	0.07	0.8	0.8	ISL
Highland	587.6	0.15	2.0	2.0	ISL
Inkai	253,918.0	0.05	268.0	160.8	ISL
McArthur River	584.6	7.35	94.8	66.2	UG
Millennium	280.0	1.81	11.2	4.7	UG
North Butte/ Brown Ranch	618.5	0.07	1.0	1.0	ISL
Northwest Unit	627.8	0.04	0.5	0.5	ISL
Rabbit Lake	104.7	1.60	3.7	3.7	UG
Reynolds Ranch	5,333.3	0.04	4.9	4.9	ISL
Ruby Ranch	60.8	0.15	0.2	0.2	ISL
Ruth	210.5	0.07	0.4	0.4	ISL
Shirley Basin	506.8	0.10	1.1	1.1	ISL
Smith Ranch	595.7	0.07	0.9	0.9	ISL
Total (3)	267,204.1	—	517.8	316.4	

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 2005. The 2005 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, change in mining plans, re-estimation and reclassification.

Cameco's share of proven and probable uranium reserves has decreased by 26.9 million pounds, from 553.4 million pounds at the end of 2004 to 526.5 million pounds at the end of 2005. The majority of the decrease was attributable to mine production during 2005.

Another change in 2005 was the reclassification of a significant portion of McArthur River reserves from proven to probable. Currently, the McArthur River mine uses only raise boring to extract ore. As expected from the start of mining, other mining methods may be used to maintain or expand production. In 2005, Cameco determined that the boxhole method would be better suited for the upper zone #4 at McArthur River, because it would allow for development from a preferred location.

Until Cameco has fully developed and tested the boxhole boring method, there is uncertainty in the estimated productivity. As a result, Cameco has reclassified 108.2 million pounds from proven to probable reserves in upper zone #4 at McArthur River (Cameco's share is 75 million pounds.) Cameco does not expect this change to significantly impact its long-term production plans. Production from this zone is scheduled to begin in 2012.

In addition, the revisions to the proposed mining plan for the upper zone #4 and re-interpretation of a small portion of zone #2 have resulted in a decrease in proven reserves at McArthur River of 12.9 million pounds (Cameco's share is 9 million pounds).

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

	December 31, 2004	2005 Throughput [1]	2005 Addition (Deletion) [2]	December 31, 2005
Reserves — Proven				
Cigar Lake	113,222	—	—	113,222
Crow Butte	7,794	(979)	—	6,815
Highland	1,162	(894)	1,539	1,807
Inkai	21,211	—	—	21,211
Key Lake	590	—	—	590
McArthur River	233,087	(12,620)	(84,144)	136,323
Rabbit Lake	8,096	(5,337)	368	3,127
Smith Ranch	896	(763)	2,712	2,845
Total Proven Reserves	386,058	(20,593)	(79,525)	285,940
Reserves — Probable				
Cigar Lake	2,625	—	—	2,625
Crow Butte	1,013	—	—	1,013
Gas Hills — Peach	22,056	—	(2,372)	19,684
Highland	2,855	—	(192)	2,663
Inkai	47,412	—	—	47,412
McArthur River	59,722	—	75,536	135,258
North Butte/Brown Ranch	7,939	—	585	8,524
Rabbit Lake	6,132	(740)	2,471	7,863
Ruby Ranch	5,082	—	380	5,462
Ruth [3]	1,470	—	219	1,689
Smith Ranch	11,057	—	(2,740)	8,317
Total Probable Reserves	167,363	(740)	73,887	240,510
Total Reserves	553,421	(21,333)	(5,638)	526,450

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2005 mill feed and Cameco's share of 2005 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, change in mining plan, and subsequent re-estimation and re-classification of reserves or resources, as applicable.

(3) For US 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 US 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 2005. The 2005 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, property acquisitions, change in mining plans, re-estimation and reclassification.

There were only modest changes in resources in 2005 as outlined in the table below. The more noteworthy of these changes are:

- At Rabbit Lake, indicated resources increased by 3.5 million pounds and inferred resources increased by 3.7 million pounds due to drilling and reclassification.
- At McArthur River, inferred resources decreased by 7.5 million pounds due to drilling.
- At Millennium, indicated resources increased by 4.7 million pounds and inferred resources decreased by 1.9 million pounds due to additional surface drilling during 2005.
- At Crow Butte, indicated resources increased by 1.3 million pounds and inferred resources increased by 3.1 million pounds due to re-estimation and re-acquisition of the Marsland property.
- At Inkai, indicated resources increased by 6.8 million pound due to re-estimation.

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

	December 31, 2004	2005 Addition (Deletion) (1)	December 31, 2005
Resources — Measured			
Gas Hills — Peach	4,662	(1,316)	3,346
Highland	1,663	—	1,663
McArthur River	6,879	(452)	6,427
North Butte/Brown Ranch	—	1,857	1,857
Reynolds Ranch	2,654	1,839	4,493
Ruby Ranch	862	(277)	585
Ruth	—	216	216
Shirley Basin	304	—	304
Smith Ranch	138	—	138
Total Measured Resources	17,162	1,867	19,029
Resources-Indicated			
Crow Butte	6,849	1,251	8,100
Dawn Lake	7,436	—	7,436
Gas Hills — Peach	3,845	(1,535)	2,310
Highland	92	—	92
Inkai	1,740	6,781	8,521
McArthur River	5,136	—	5,136
Millennium	14,520	4,700	19,220
North Butte/Brown Ranch	6,788	(485)	6,303
Northwest Unit	2,361	(20)	2,341
Rabbit Lake	4,009	3,477	7,486
Reynolds Ranch	7,791	(831)	6,960
Ruby Ranch	581	(438)	143
Ruth	609	(417)	192
Shirley Basin	4,085	—	4,085
Smith Ranch	4,951	33	4,984
Total Indicated Resources	70,793	12,516	83,309
Total Measured & Indicated Resources	87,955	14,383	102,338

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

	December 31, 2004	2005 Addition (Deletion)(1)	December 31, 2005
Resources — Inferred			
Cigar Lake	59,105	—	59,105
Crow Butte	6,979	3,104	10,083
Gas Hills — Peach	—	845	845
Highland	1,977	—	1,977
Inkai	160,793	—	160,793
McArthur River	73,675	(7,524)	66,151
Millennium	6,630	(1,930)	4,700
North Butte/Brown Ranch	734	232	966
Northwest Unit	1,093	(585)	508
Rabbit Lake	—	3,701	3,701
Reynolds Ranch	7,099	(2,187)	4,912
Ruby Ranch	—	184	184
Ruth	—	365	365
Shirley Basin	1,132	—	1,132
Smith Ranch	1,010	(114)	896
Total Inferred Resources	320,227	(3,909)	316,318

Notes:

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

Cameco estimates western world demand for UF_6 and natural UO_2 conversion services in 2005 was approximately 58 million kilograms of uranium. Cameco estimates that this demand will increase to approximately 70 million kilograms of uranium by 2015. Demand in the former Soviet Union, Eastern Europe and China in 2005 was about 8 million kilograms of uranium and Cameco estimates it will increase to about 14 million kilograms of uranium by 2015.

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 pellets and loaded into fuel bundles for eventual use in nuclear reactors.

Supply

The western world UF_6 conversion industry consists of Cameco and three other significant producers with an annual conversion capacity of about 47 million kilograms of uranium. Cameco's total annual available UF_6 conversion capacity constitutes almost 40% of the western world capacity. Cameco is the only commercial supplier of conversion for natural UO_2 customers in the western world. In 2001, BNFL announced that its Springfields plant would close in 2006 and sold its uncommitted UF_6 production to Cameco. Russia supplies most of the UF_6 conversion requirements of the former Soviet Union and Eastern Europe in the form of LEU. Russia has not been a significant supplier of toll conversion services to the western world due to the level of integration in the Russian nuclear fuel cycle.

In March 2005, Cameco acquired additional UF_6 conversion capacity by entering into a 10-year toll-conversion agreement with BNFL to acquire uranium conversion services from BNFL's Springfields U.K. plant, which has an annual licensed capacity of 6 million kilograms of uranium. The toll-conversion agreement is expected to keep the plant open for the duration of this agreement, through 2016. Cameco entered into a number of long-term contracts with utility customers for a significant volume of conversion services to baseload this agreement. (See "Uranium Fuel Conversion Services — Operations".)

Supplies of UF_6 are also available from secondary sources including excess western inventories, Russian inventory sales in the form of LEU, 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 long-term contracts with primary conversion service providers. Prices are established by a number of methods, including fixed 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 that affect the price ultimately paid. Fixed 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 long-term contracts. Cameco currently has UF_6 conversion services commitments in excess of 75 million kilograms of uranium with about 43 customers worldwide under long-term contracts. Cameco's five largest customers account for approximately 32% of these commitments. 48% of Cameco's committed UF_6 conversion services volume is to purchasers in the Americas, 21% in the Far East and 31% in Europe.

At December 31, 2005, most UF_6 conversion services commitments are under contracts that contain fixed prices with inflation escalators. Therefore, generally Cameco's financial results are relatively insensitive to changes in the spot price for conversion. New fixed 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. Through its subsidiary ZPI, Cameco is one of two Canadian commercial suppliers of fuel manufacturing services for CANDU reactors. 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 (pop. approx. 15,000) approximately 100 kilometres east of Toronto, on the shore of Lake Ontario. ZPI's manufacturing plant is located in Port Hope and its zirconium tubing plant is located in Cobourg, Ontario, 10 kilometers east of its Port Hope plant. Cameco's Blind River and Port Hope facilities and ZPI's facilities were re-licensed by the CNSC for a five-year period commencing on February 28, 2002.

Blind River — Refining

The Blind River facility has an annual licensed capacity of 18 million kilograms of uranium and in 2005 produced 15.1 million kilograms 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 uranium concentrate suppliers from throughout the world into nuclear grade UO_3. Nearly all of the UO_3 is shipped to Port Hope for conversion into either UF_6 or UO_2. This will change in 2006 with planned UO_3 shipments to Springfields, UK as noted below. A small quantity of UO_3 is supplied to others for blending with enriched uranium to produce suitable reactor fuel.

In March 2005, Cameco entered into a 10-year toll conversion agreement with BNFL. Under the agreement, a base quantity of 5 million kilograms of uranium as UO_3, supplied by Blind River, is to be converted annually into UF_6, by BNFL's Springfield's U.K. plant. Shipments of UO_3 are scheduled to commence in the first quarter of 2006, with UF_6 shipments from Springfields planned for later in the year. Cameco is investing about $6 million at Blind River and $4 million at Springfields to implement the agreement.

Cameco has filed a project description with the CNSC to support an environmental assessment to increase Blind River's annual licensed production capacity to 24 million kilograms of uranium from 18 million kilograms of uranium. The CNSC determined that a screening level environmental assessment process is required for this initiative and they issued the required scope in February 2006. This increase in Blind River's licensed capacity is intended to provide Cameco sufficient capacity to supply UO_3 to Port Hope, Springfields and other customers. Some relatively minor changes are required at the refinery to achieve the increased capacity. These changes require an environmental assessment and regulatory approval. Cameco expects to complete the environmental assessment in 2006.

Port Hope — Conversion

The Port Hope conversion plants produce natural UO_2 and natural UF_6. In 2005, the plants produced 11.4 million kilograms of uranium. 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 2003, Cameco initiated a process to obtain regulatory approval to modify the Port Hope facility to allow commercial production of slightly enriched uranium dioxide powder ("SEU") for a new fuel bundle proposed for use in BPLP's Bruce B reactors. Cameco decided in 2005 not to pursue these plans. The public communication process ultimately took longer than anticipated leading to the development of alternate sources of SEU blending to meet Bruce Power's schedule for the new fuel.

The Port Hope conversion facility has approximately 200 unionized hourly employees who are represented by two locals of the United Steelworkers of America. Following a strike in 2004, a collective agreement was reached which will expire on June 30, 2007.

Zircatec — Fuel Fabrication

In December 2005, Cameco announced that it had agreed to buy ZPI. The purchase was completed on February 1, 2006, at a purchase price of $108 million, which amount is subject to closing adjustments. ZPI's Port Hope facility manufactures fuel bundles for CANDU reactors. ZPI's Cobourg facility produces zirconium tubing for use in fuel bundles, and other Candu reactor components and monitoring equipment. ZPI has the capacity to produce 1.2 million kilograms of uranium annually as finished fuel. ZPI's has approximately 120 unionized employees who are represented by the United Steelworkers of America. The ZPI collective agreement expires on June 1, 2007.

ZPI has signed a fuel manufacturing services agreement covering all of the fuel manufacturing requirements for the Bruce A and Bruce B reactors through to 2018. This represents a substantial portion of ZPI's business. Under the arrangement, ZPI will manufacture UO_2 provided by Cameco into finished nuclear fuel bundles for the Bruce A and B reactors.

ZPI's Port Hope plant is being modified, at BPLP's expense, to produce the new fuel noted earlier containing SEU for BPLP's B reactors. ZPI has commenced the application process for regulatory approval from the CNSC to produce these new fuel bundles, known as Low Void Reactivity Fuel (LVRF). LVRF bundles are designed to improve the performance of the Bruce B reactors and involve use of mixed natural UO_2 and dysprosium oxide in the centre element of each bundle and SEU in all other elements. ZPI is currently licensed to process limited quantities of enriched uranium, but needs an amendment to proceed with the manufacture of commercial quantities of the LVRF fuel bundles. ZPI has already produced some test fuel containing SEU.

Research and Development

The activities of all operations are supported by Cameco's Port Hope 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 2005, expenditures related to these activities were approximately $2.5 million.

Legal Proceedings

A description of certain legal proceedings to which Cameco or its subsidiaries are a party is included in Note 21 to the Consolidated Financial Statements for the fiscal year ended December 31, 2005, which are incorporated herein by reference.

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 $203 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, 2005.

Cameco Initiatives

Cameco's environment and safety and health efforts are both corporate and site-based. Corporate and site-based environment and safety and health departments have been created to manage and coordinate the Company's environmental assessment and regulatory compliance and reporting functions. Cameco conducts regular environment and safety and health audits of its sites. For 2005, annual expenditures of about $20 million were dedicated to environmental monitoring, protection, assessment and safety and health 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 formal environmental and safety and health policies in place since 1991 and an environmental management system at its operating sites since 1999. In 2005, an initiative was undertaken to integrate the existing safety and health, environment and quality policies into one policy. This policy was developed in order to address changing regulatory and industry standards and was approved and distributed in late 2005 for implementation at all sites and the corporate head office. In addition to the creation of an integrated policy, Cameco revised four existing programs that supported the original policies and developed two additional programs to further support the integrated policy.

The environment management, safety and health management, quality management and management system audit programs were revised and the radiation protection program and emergency preparedness and response program were developed and approved for use in late 2005. The quality management program was revised, in part, to become the core document in the integrated management system, thereby reducing the amount of redundant information that previously existed within the six programs. As such, the remaining five programs refer to the quality management program when discussing similar system elements. The development of the integrated policy and the supporting program documents further defines Cameco's commitment to ensuring policies, programs and procedures are in place for use by sites and corporate head office as part of an overall integrated management system.

This integrated 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, ISO 14001. The Port Hope conversion facility, Blind River, Key Lake, McArthur River and Crow Butte operations have been ISO 14001 certified.

Cameco's Canadian uranium sites, and select corporate departments, made good progress on Quality Management System ("QMS") activities and generally met their 2005 QMS implementation objectives. CNSC audit and inspection results in QMS-related areas showed marked improvement during the year. In 2006, QMS efforts will be concentrated in improving QMS efficiency and effectiveness and addressing opportunities for improvement identified through internal and external auditing and other assessments.

The Company has a safety, health and environment 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, Saskatchewan Environment ("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 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, 2005, Cameco carried a liability of $147 million on its balance sheet for reclamation costs related to its uranium ($102 million) and conversion ($45 million) businesses. See Note 7 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2005.

Both the CNSC and SE have regulations requiring financial assurances for decommissioning and reclamation of minesites. Conceptual decommissioning and reclamation plans and financial assurances in the form of letters of credit have been filed with the provincial government for Rabbit Lake in the amount of $36 million, for McArthur River in the amount of $6 million, and Key Lake in the amount of $38 million. Cameco has also provided a $3.4 million letter of credit for its share of the financial assurances for Cigar Lake decommissioning. Cameco, as project operator of Cigar Lake joint venture, has filed a conceptual decommissioning and reclamation plan for test mining infrastructure and surface disturbance.

Cameco's refining and conversion facilities and ZPI's fuel manufacturing facilities are subject to decommissioning liabilities. Financial assurances for decommissioning in the form of letters of credit have been filed with the CNSC for Port Hope in the amount of $33.8 million, for Blind River in the amount of $14.6 million, and for ZPI facilities in the amount of $3.3 million. As the CNSC licenses for these three facilities expire in February 2007, Cameco plans in 2006 to review the decommissioning estimates for these facilities as part of the CNSC license renewal process.

Pursuant to the Reorganization of SMDC and ENL (now CEI), 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. Two environmental assessment reports related to the project are expected to be issued in the first half of 2006. After the reports are received, screening levels reports will be prepared by federal regulatory authorities. Once approved by the Minister of the Environment, the project proceeds to the CNSC licensing stage.

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 of which about $3.9 million has actually been spent.

Cameco has 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. While this arrangement 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 and, 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. Cameco is uncertain when it will be received.

Please see the Bruce Power and Centerra sections of this Annual Information Form for a discussion of the reclamation and decommissioning arrangements pertaining to their operations.

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*, 1999 (“CEPA”). 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 have and likely will continue to generate additional environmental studies in the vicinity of these operations. Future regulatory initiatives will likely have a similar effect. 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 *Nuclear Safety and Control Act* ("NSCA") and the CNSC's interpretation of its responsibilities under the NSCA, the CEAA and the CEPA. 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 license 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.

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.

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 or class of use water standard. 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 Wyoming Department of Environmental Quality ("WDEQ") and NRC.

Crow Butte has two wellfields under restoration. In accordance with regulatory requirements, the operator of the property has provided a $19.8 million (US) letter of credit to the State of Nebraska as security for decommissioning the property.

Smith Ranch-Highland has two wellfields under restoration. In accordance with regulatory requirements, PRI has provided letters of credit totalling $40.7 million (US) to the State of Wyoming as security for decommissioning Smith Ranch-Highland.

The NRC had previously considered adopting an alternate process whereby a state government (in non-agreement states such as Wyoming and Nebraska) could regulate groundwater issues through a memorandum of understanding entered into with the NRC. The NRC has not made a final decision regarding the use of such memoranda, although a ruling is expected sometime in 2006. Discussions continue with regulators to establish clear jurisdiction and criteria for wellfield restoration.

Despite encouraging signs to the contrary, the time for regulators to accept restoration of the remaining wellfields is an important issue for Cameco subsidiaries' US ISL operations, since it remains uncertain when, and at what cost, these 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 legislation, 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 legislation and 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 *Eldorado Nuclear Limited Reorganization and Divestiture 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 this act.

Canadian Nuclear Safety and Control Act

In Canada, control of the mining, extraction, use and export of uranium is governed by the NSCA, a federal statute. The NSCA authorizes the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion, fabrication and transportation. The NSCA grants the CNSC licensing authority for all nuclear activities in Canada, including the issuance of new licenses to new operators, the renewal of existing licenses, and amendments to existing licenses. A person may only possess or dispose of nuclear substances and construct, operate and decommission its nuclear facilities in accordance with the terms and conditions of a CNSC license.

A fundamental principle in nuclear regulation is that the licensee bears the responsibility for safety, with the CNSC setting safety objectives and auditing the licensee's performance against the objectives. The regulations made under NSCA include provisions dealing with facilities license requirements, radiation protection, physical security for all nuclear facilities and the transport of radioactive materials.

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 license, order-making powers, and the right to impose monetary penalties. 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 emphasizes environmental matters, including a requirement that licensing applicants make adequate provision for the protection of the environment.

All of the Canadian operations of the Company are governed primarily by licenses 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 license or applicable federal laws. Failure to comply with license 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.

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 licenses and export permits granted by the CNSC and the Department of Foreign Affairs and International Trade, respectively, and such licenses 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.

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 Environmental Protection Agency ("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 pre-mining use standard in Wyoming.

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.

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, which could result in an order to cease operations and other regulatory actions. NRC enforcement policy describes a progression of enforcement starting with a notice of violation 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.

At Smith Ranch-Highland, safety is regulated by the Wyoming State Mine Inspector's Office. The federal Mine Safety and Health Administration regulates 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. 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 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 Crown 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 to exercise these rights.

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 a 2005 decision involving the federal Crown and the Mikisew Cree First Nation, the Supreme Court of Canada further examined consultation and accommodation duties, this time in the context of historical treaty rights. The Court confirmed that First Nations do not hold a veto power over a proposed project despite having a treaty right to be consulted. Further, the Supreme Court clarified that when a project contemplates any potential impact on the treaty rights of a First Nation, the Crown is not automatically obligated to consult with every First Nation that happens to be a signatory to that particular treaty before they take actions that will affect the ability of First Nations' people to exercise these rights.

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 Queen's 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 people at its operations and has substantial business relationships with First Nations and Métis residents 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%	$	15.69
Plus	4%	$	23.52
Plus	5%	$	31.37

The above prices are applicable to 2005 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 – $15.69) x pounds sold] + [4% x ($25.00 – $23.52) x pounds sold]

Cameco did not pay tiered royalties in 2005. Cameco does not expect to pay tiered royalties in 2006 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 $20 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, Centerra and UEM are subject to federal and provincial income tax in Canada. Current income tax expense for 2005 was $53.7 million.

For federal income tax purposes, 35% of royalties are deductible in 2005 increasing to 100% in 2007. However, Cameco is eligible for the resource allowance (except at its Ontario fuel services operations and 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 65% deductible in 2005 in calculating taxable income. The resource allowance deduction is being phased out and will be eliminated in 2007. Cameco's Ontario fuel services operations and Bruce Power are eligible for the manufacturing tax credit and processing tax credit.

Cameco, certain wholly owned subsidiaries and UEM are also subject to large corporations tax, which is levied on a corporation's taxable capital employed in Canada. This tax is calculated at a rate of 0.175% on taxable capital in excess of $50 million. Total large corporation tax paid in 2005 was $2.9 million.

US Taxes

In Wyoming, Cameco subsidiaries pay severance taxes, property taxes and ad valorem taxes. In Nebraska, Cameco subsidiaries pay severance taxes and property taxes. The total of these taxes paid in 2005 was $2 million (US).

The Company's US subsidiaries are 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, 2005, Cameco and its subsidiaries had 1957 employees (this number does not include Centerra and Joint Venture Inkai employees). Of the total, 639 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). As the collective agreement for the bargaining unit employees at the McArthur River and Key Lake operations expired December 31, 2005, Cameco and union representatives for McArthur River and Key Lake employees are negotiating a new collective agreement.

Cameco acquired ZPI in February 2006. It has approximately 260 employees. Of that total, approximately 120 are represented by the United Steelworkers of America trade union, with the collective agreement expiring June 1, 2007.

Bruce Power LP — Nuclear Electrical Generation

Overview

Business

Cameco, through subsidiaries, owns a 31.6% limited partnership interest in BPLP. BPLP's business is the generation and sale of electricity into the Ontario wholesale market. Electricity from the Bruce site is generated by four Bruce "B" and two Bruce "A" nuclear-powered units. The Bruce "B" nuclear units and two Bruce "A" units have capacity to supply about 20% of Ontario's electricity needs. As of October 31, 2005, BPLP was restructured and a new Bruce A Limited Partnership ("Bruce Power ALP") was formed to hold a sublease for the two Bruce A nuclear-powered units which have been operating and two additional Bruce A units which are presently out of service. Cameco no longer holds an interest in the four Bruce A units and does not have any ownership interest in Bruce Power ALP.

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, BPLP's nuclear stations have a lower operating cost per megawatt-hour of electricity produced than fossil fuelled facilities.

Acquisition of Interest

In 2001, Cameco, through its wholly owned subsidiary, Cameco Bruce Holdings Inc., acquired an initial 15% limited partnership interest in BPLP, an Ontario limited partnership, and directly acquired a 15% shareholding interest in Bruce Power Inc., the general partner of BPLP. BPLP concurrently entered into agreements with Ontario Power Generation Inc. ("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.

Subsequently, in February 2003, BE sold a 79.8% limited partnership interest in BPLP 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. This brought Cameco's total indirect limited partnership interest in BPLP 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 BPLP 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 BPLP to 5.2%, by acquiring BE's remaining 2.6% limited partnership interest in BPLP 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 BPLP. BPLP 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, 2005, the entire amount was outstanding.

Following closing, Cameco continued as BPLP's fuel manager (see "Cameco Fuel Management").

As part of the acquisition of BE's interest in BPLP, 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.

2005 Bruce Power Restructuring

In October 2005, BPLP was restructured and concurrently announced a new arrangement with the Ontario government including a $4.25 billion program to increase output from the four Bruce A reactors.

Under the restructuring agreements, Bruce Power ALP was formed and the four Bruce A reactors were subleased to Bruce ALP. Cameco is not part of Bruce Power ALP and will not invest in the $4.25 billion refurbishment program which will involve refurbishing and restarting units A1 and A2 and refurbishing units A3 and A4.

Cameco maintained its existing 31.6% interest in BPLP, which is responsible for the overall management of the Bruce site and leases the four Bruce B reactors. BPLP received certain payments in consideration for entering into the sublease with Bruce Power ALP, for the assets transferred to Bruce Power ALP and for refurbishing and unit costs already incurred by BPLP. As a result, BPLP paid a special distribution to its limited partners of which Cameco received $200 million. Day to day operations at the Bruce Power site are unaffected by this reorganization.

Under the new restructuring agreements, the electricity output from the Bruce B units will continue to be sold either into the Ontario spot market or directly to various customers under long-term, fixed price contracts, at the discretion of BPLP. As part of the restructuring, Cameco no longer has an obligation to procure or supply uranium concentrates to the Bruce A reactors but will continue to be the fuel procurement manager for the Bruce A and B units.

Under an arrangement with the Ontario government, as part of the restructuring, BPLP receives electricity floor price protection for sales into the spot market, transmission unavailability protection, and protection against governmental discriminatory actions. The floor price is set at an average monthly price of $45/MWh escalated for inflation. The floor price has a true-up mechanism, which is settled on a monthly basis with a contingent support payment. The aggregate of contingent support payments is tracked, so that if in the following year(s), the market price exceeds floor price, BPLP would have to pay back the difference between the market and floor price, up to the value not exceeding the current contingent support payment balance. If a repayment is made, this amount is then subtracted from the contingent support payment balance.

The reorganization involving Bruce A resulted in a loss of $62 million for Cameco, reflecting the fact that the payments received by BPLP in connection with the reorganization are less than the carrying value of Bruce Power ALP to BPLP, as well as a write-off by Cameco of proprietary costs related to its interest in BPLP. The carrying value includes capital costs related to restarting units A3 and A4, costs associated with studying the restart of units A1 and A2 and certain working capital items.

Following the restructuring, Cameco began to proportionately consolidate its share of BPLP's financial results on November 1, 2005. Cameco's move to this new method of accounting was driven by incremental changes to the limited partnership agreement, which resulted in joint control among the three major limited partners. Proportionate consolidation is required for investments in jointly controlled entities. Consequently, Cameco's financial results for the first 10 months of 2005 reflect a six-unit operation, which is accounted for on an equity basis. For the remaining two months of 2005, Cameco's financial results reflect a four-unit operation, which is accounted for on a proportionate basis.

Cameco's total commitment for financial assurances given on behalf of BPLP is estimated to be $358 million at December 31, 2005. These financial assurances include financial assurances given to the CNSC in support of BPLP's operating license, guarantees in favour of OPG under the Lease (as defined below), and guarantees in support of BPLP'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 price changes. As at December 31, 2005, the actual exposure was $184 million. See Note 21 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2005.

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

Bruce Power-OPG Lease

In May 2001, BPLP, 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. BPLP 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 in 2003 as part of the 2003 acquisition from BE described above and again in 2005 as part of the 2005 BPLP restructuring described above (as amended, the “Lease”).

BPLP 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 2005, the aggregate of these rent payments was approximately $232 million, before amounts ($13 million) recovered from Bruce Power ALP as a result of the 2005 BPLP restructuring. There are no similar adjustments to the existing Lease payments with respect to spent fuel liabilities during the initial term of the Lease (which expires in 2018). Commencing in 2008, BPLP 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 BPLP’s performance of these obligations.

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. BPLP returned two of the Bruce “A” reactors to service, with a combined net generating capacity of 1,500 megawatts. As described above, in October 2005 BPLP was restructured and the 4 Bruce “A” reactors were subleased to a new limited partnership, Bruce Power ALP. Cameco does not have any ownership interest in Bruce Power ALP. An average capacity factor of 79% was achieved by BPLP during 2005 compared to 82% achieved in 2004.

In 2005, BPLP’s capital expenditures were about $335 million. In 2006, BPLP’s capital expenditure program for the four “B” reactors is expected to total $123 million.

New Fuel Program

As part of its Bruce “B” power uprate project, BPLP plans to refuel the Bruce “B” units with modified fuel containing SEU beginning in 2008. 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.

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 a fuel core reordering program, which is part of the broad power uprate project. (See “Uranium Fuel Conversion Services” and “Cameco Fuel Management”). The other Bruce “B” units are scheduled to achieve this 93% power uprate from 2006 to 2008, subject to CNSC approval. The other aspects of the Bruce “B” power uprate project include turbine generator upgrades and improvements to the reactor core.

The introduction of the new fuel into the Bruce “B” units, plus the subsequent uprate of the units, requires CNSC regulatory approval. BPLP has commenced the environmental assessment process to support the licensing of the new fuel. ZPI also requires a license amendment to manufacture commercial quantities of the new fuel. Cameco anticipates that the CNSC licensing process by BPLP will commence in 2007. If a license amendment is not obtained by ZPI from the CNSC or BPLP does nor receive CNSC approval, this could lead to the Bruce “B” units being further de-rated.

Bruce “A” Restart

In January 2004, Cameco announced that BPLP was exploring the feasibility of restarting the remaining two laid-up units of the Bruce A station (Units 1 and 2). 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. A feasibility study was completed and Cameco concluded that a proposed agreement with the Ontario government to restart these units did not meet its investment criteria.

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 BPLP has continued that program, partially by way of contract with OPG. BPLP’s current operating life estimates for the Bruce B units are based on the results of this program to date and on the previous operating history of the units. BPLP 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). The operating life for the other three “B” units is expected to end during the period 2014 to 2018.

As a key part of its 1997 Nuclear Recovery Plan, OPG has undertaken, and BPLP 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 of December 31, 2005, 100% of BPLP’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. BPLP 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 engineering assessment of the fuel channels lasting until the end of the estimated operating lives for the Bruce B units. Maintenance activities at the Bruce site to reposition the support springs in the fuel channels started in 2001 and are planned to continue through 2007 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 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. BPLP 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. BPLP is also participating in research and development with other CANDU operators to establish the degradation mechanisms.

Candu Technology

The Bruce A and B units are 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 compared to light water reactors in that the CANDU reactors can be refuelled at full power. 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.

All of Bruce 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 Bruce reactors also have an emergency core coolant injection system which would be activated in the event of a pipe break in the reactor coolant system. In addition, all of Bruce reactors have a negative pressure containment system designed to keep radioactive material safely contained.

Employees

BPLP has 3,500 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. Under the 2005 restructuring agreements, all employees remain with BPLP and all employee costs are apportioned between BPLP and Bruce Power ALP.

Cameco Fuel Management

Cameco continues to have overall responsibility to procure nuclear fuel for BPLP. This includes the supply by Cameco of all uranium concentrates and UO_2 conversion services required for the Bruce B nuclear generating stations, making BPLP a significant customer for Cameco's core products. Cameco is also responsible to procure nuclear fuel for Bruce Power ALP. This does not include the procurement or supply to Bruce Power ALP of uranium concentrates.

ZPI has signed a fuel manufacturing services covering all of BPLP's and Bruce Power ALP's fuel manufacturing requirements until the initial term of the Lease expires in 2018. Under the arrangement, ZPI will manufacture UO_2 provided by Cameco into finished nuclear fuel bundles for the Bruce A and B units.

BPLP is also pursuing the use of SEU as part of its power uprate project for the four Bruce "B" units. Cameco is working with BPLP, ZPI and others in the development of SEU. Cameco expects BPLP's use of SEU will increase the volume of U_3O_8 sold to BPLP and will not significantly reduce natural UO_2 conversion services sold to BPLP (see "Uranium Fuel Conversion Services"). In 2003, Cameco initiated a project at its Port Hope facility to modify and add facilities to manufacture SEU powder for the new fuel. Cameco decided in the third quarter of 2005 not to proceed with this project when it was determined that the Port Hope facility could not with certainty be able to supply SEU in time to meet Bruce Power's schedule for the new fuel and alternative, competitive blending supply sources were identified.

ZPI's Port Hope plant is being modified, at BPLP's expense, to produce fuel bundles containing SEU. ZPI has commenced the process to obtain regulatory approval from the CNSC to produce these fuel bundles

OPG Services to Bruce Power

As part of the 2001 OPG-BPLP transaction, OPG agreed to provide certain services to BPLP. Some of these services are required in order for BPLP to comply with terms of its CNSC operating licenses. 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 BPLP 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 BPLP. 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 term of the Lease. 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 used nuclear fuel bundles are contained in the Bruce "B" wet bay, BPLP 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 BPLP'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 the Nuclear Waste Management Organization ("NWMO") with a mandate to manage and co-ordinate the full range of activities relating to the long-term management of used nuclear fuel. After a three year study, the NWMO presented its report and recommendations to the Minister of Natural Resources on the long-term management of used nuclear fuel. The NWMO recommended adaptive phased management with the objective of centralizing all of Canada's used nuclear fuel in one location, and isolating and containing it deep underground in a suitable rock formation. The federal government is considering the NWMO's report and recommendations. This legislation that established the NWMO 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 BPLP, is subject to the financial contribution requirements of this legislation.

Federal Regulation

BPLP's operations are heavily regulated. The CNSC, an agency of the federal government, regulates construction, equipment, safety systems and operating limits for the Bruce nuclear generation stations through its powers under the NSCA (see "Government Regulation — Canadian Uranium Industry Regulation"). Under licenses issued by the CNSC, BPLP is required to regularly report on operations to the CNSC, which monitors the safety performance of the Bruce nuclear generating stations. In addition, BPLP is subject to the *Nuclear Liability Act* ("NLA"), as well as other legislation associated with labour and environmental matters.

On May 9, 2001, BPLP received a license to operate the Bruce "B" nuclear units and a license to operate the Bruce "A" nuclear units, which licenses 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, BPLP 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. Under the 2005 Bruce Power restructuring agreements, Cameco is indemnified by Bruce Power ALP for any calls on the assurances resulting from operation of the Bruce "A" units.

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 a significant increase in the insurance coverage that BPLP must obtain**.**

Ontario's Electricity Regulation

Summary of Key Impacts

This section below describes the Ontario regulatory framework that applies to BPLP's marketing of electricity. BPLP sells electricity into the wholesale spot market and contract market. In Ontario, political risk results from uncertainty over the future direction of government energy policies.

The actions of the Ontario government have impacted the wholesale market where BPLP sells most of its production. The Ontario government has taken steps in 2005 and in February 2006 to mitigate the impact of increases in electricity price on the approximately 55,000 large industrial and commercial customers in Ontario who consume more than 250,000 kilowatt hours per year ("large consumers"). These actions (described in greater detail below) involve regulating the price of electricity produced by OPG's baseload nuclear and hydraulic assets and establishing revenue limits on the output of certain of OPG's other assets. Bruce Power expects these actions to depress the wholesale contract market which remains unregulated.

BPLP engages in risk management activities, including trading of electricity and related contracts to mitigate these risks. BPLP receives a reliable stream of revenue from fixed-price contracts. Approximately 48% of BPLP's output was sold under fixed-price contracts in 2005. BPLP also sells electricity on the open spot market. Prices are determined by bids from suppliers and buyers that reflect changes in supply and demand by the hour. In addition, the 2005 Bruce Power restructuring agreement provides for a floor price of $45 per MWh (escalated by inflation) for the electricity generated by the Bruce B reactors sold into the spot market.

There is a risk that the Ontario government could regulate the wholesale market in the future. This would limit the upside potential for BPLP's revenue. Given the shortage of generating capacity in Ontario, the need to attract new investment and recent market structure changes made by the government, Cameco believes the risk of the government regulating the wholesale market is low.

Ontario Electricity Sector Restructuring

The Ontario electricity market opened ("Market Opening") to full competition in May, 2002. 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. BPLP earns revenue through medium- and long-term contracts and spot market sales. BPLP uses risk management activities, such as hedging, in order to mitigate BPLP's exposure to volatile electricity prices.

In December 2002, the Government of Ontario passed the *Electricity Pricing, Conservation and Supply Act, 2002,* reversing, in part, its decision to establish an open electricity market. That legislation and related regulations among other changes fixed the price of electricity paid by "low volume consumers" and other "designated consumers" at 4.3¢/kWh retroactive to Market Opening and capped electricity distribution fees and wholesale market charges.

In March 2003, the Province announced a business protection plan for large electricity consumers in Ontario. Under this plan, except for certain designated customers, all consumers using above 250,000 kWh per year remained in the competitive wholesale and retail markets and received cash rebates.

On November 25, 2003, the newly elected Liberal government of Ontario removed the 4.3¢/kWh price freeze effective April 1, 2004 and replaced it with an interim pricing plan which fixed the first 750 kWh (kilowatt hours) of consumption at 4.7¢/kWh and monthly consumption above that level at 5.5¢/kWh. As of May 1, 2005, the Ontario Energy Board ("OEB") established a regulated price plan for certain consumers.

In December, 2004, the Ontario government enacted the *Electricity Restructuring Act, 2004* ("Electricity Restructuring Act"), and additional changes to the Ontario electricity sector were adopted including:

- the creation of a new Ontario Power Authority ("OPA"), responsible for ensuring adequate, long-term supply of electricity and integrated system planning;
- regulated prices in parts of the electricity sector to ensure price stability for certain specified consumers;
- a revised role for the renamed IESO;
- 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.

In 2005, the Ontario government set an average price of 4.5 cents per kilowatt hour on the output of OPG's baseload nuclear and largest hydro-electric facilities (collectively "OPG's regulated assets"). These prices stay in place until the OEB sets new prices for the output of OPG's regulated assets by a date which will be no earlier than March 31, 2008. These stations represent approximately 60% of OPG's annual output and approximately 40% of the total generation in Ontario. The Ontario government has stated that it believes that regulating the price of OPG's regulated assets will reduce price volatility and have a stabilizing effect on electricity price which will be of benefit to all consumers.

In February 2005, the Ontario government established a fixed price of 4.7 cents per kilowatt hour on 85% of the output of OPG's coal fired and smaller hydro electric operations, which are not part of OPG's regulated assets ("the unregulated facilities"). This set price was intended to be in effect until April 30, 2006. At that time monies collected above the set price will be refunded to large consumers. In February 2006, the Ontario government announced an additional 3 year revenue limit on OPG's unregulated facilities. Starting May 1, 2006, the revenue limit on OPG's unregulated facilities will drop to 4.6 cents per kilowatt hour from the limit of 4.7 cents per kilowatt hour set in February 2005. In 2007, the limit on revenues from these facilities will go up to 4.7 cents and will be increased to 4.8 cents May 1, 2008. Any OPG revenues above these limits will result in a rebate issued quarterly, rather than annually, to large consumers. Bruce Power expects these actions to depress the wholesale contract market which remains unregulated.

The initiative to decontrol OPG assets, as originally contemplated in 2002, has not progressed. However the Ontario government has announced that all coal fired electrical generating facilities in Ontario (representing 7,500 MW or approximately 25% of Ontario's electricity capacity) will be completely shut down by 2009. Given the shortage of electricity, especially low cost electricity in Ontario, Cameco believes the government is unlikely to shutdown all of these facilities by this target date.

Ontario Power Authority

The Electricity Restructuring Act created 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 OPA's mandate include, 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 has a statutory ability to recover its costs and payments associated with procurement contracts. The integrated system plan created by the OPA is subject to review by the Minister and by the OEB.

In late 2005, the OPA published its Supply Mix Advice report which set out the recommendations to the Minister of Energy for the future development of Ontario's electricity system. The report recommended increasing the share of renewable resources in Ontario's supply mix, nuclear generation maintain its current 50% contribution of electrical energy, and replace coal by increasing the share of gas fired generation and renewable resources.

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. Specified consumers, on the other hand, may pay a price established under a regulated price plan under the jurisdiction of the OEB but have the option of purchasing their electricity from energy retailers.

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 OPG.

The IESO-administered wholesale market for energy services consists of: (i) 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 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 operating reserve markets establish market clearing prices that are paid to parties whose offers to provide operating reserve are accepted by the IESO.

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. The Ontario government is in discussions with the Province of Manitoba to expand the transmission inter-ties between Ontario and Manitoba.

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.

OEB's Licensing Process and Industry Codes

The OEB has developed licenses 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 license for Bruce Power Units 1 to 8 that will remain in force until February 27, 2019. The license includes authorization to act as a wholesaler of electric 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. In 2005, the Kumtor mine produced about 501,000 ounces of gold at a total cash cost of approximately $274 (US) per ounce and the Boroo mine produced about 286,000 ounces of gold at a total cash cost of approximately $183 (US) per ounce. In 2006, Centerra expects Kumtor production to be 461,000 ounces and Boroo production to be 268,000 ounces.

During 2005, Centerra accelerated its drilling activities at many of its key exploration sites. At the end of the year, Centerra updated its reserve and resource estimates. Reserves of 2.32 million ounces of gold have been added at Kumtor before accounting for mining of 614,000 ounces of contained gold in 2005. The reserve grade has also increased from 3.3 grams/tonne (g/t) gold to 3.8 g/t. These changes were primarily a result of additional drilling at the south end of the currently operating pit. At Boroo, reserves of 349,000 ounces of gold have been added, mostly as a result of additional drilling and changes in pit designs. Additionally, 2.5 million ounces of measured and indicated resources have been added to Centerra's resource base. The 2005 year-end reserves were estimated using a gold price of $400 (US) per ounce. The 2004 year-end estimates used a gold price of $375 (US) per ounce. The increase in the gold price used for reserve estimation had a minimal contribution to the reserve increase.

Based on these estimates and current mining plans, the additional reserves will extend the Kumtor mine life by almost three years (now expected to be depleted by 2013) and the Boroo mine life by more than one year (now expected to be depleted by 2011). The Kumtor reserves are scheduled to be mined and milled over the eight year period 2006 to 2013, with low grade stockpiles being milled in the last two years (approximately 206,000 ounces in 2012 and 37,000 ounces in 2013). Detailed estimates of gold reserves and resources are reported at "Centerra Gold Inc. — Reserves and Resources".

As at December 31, 2005, Cameco's interest:

- in the reserves at Kumtor and Boroo mines amounted to total proven and probable reserves of 3.2 million ounces of gold; and
- in the resources at Kumtor and Boroo mines and Gatsuurt and Ren exploration properties, amounted to 3.1 million ounces of gold in measured and indicated resources and 748,000 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 $2.8 million (US) of earnings as deferred charges, net of deferred revenue, related to closing out gold hedges, will be recognized by Centerra over the two-year period 2006 and 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 2005 were $25.5 million (US). Centerra has budgeted $21 million (US) of spending on exploration in 2006.

For 2006, Centerra has budgeted $103 million (US) of capital expenditures. This includes $87 million (US) in growth capital spending primarily attributable to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at the Kumtor mine.

In the near-term, Centerra subsidiaries have minimal exposure to cash corporate income taxes due to the availability of tax loss carry-forwards to offset taxable income in the Kyrgyz Republic and a three-year 100% tax relief period on income earned in Mongolia. At current gold prices and planned mining activity, Centerra expects the loss carry-forwards to be fully utilized during 2007. A Centerra subsidiary is in the second year of the three-year Mongolian tax relief period. After the expiry of the tax relief period (starting in 2007), this subsidiary will be entitled to 50% tax relief for the subsequent three-year period.

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 Limited ("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 nine-year period from 1997 to 2005, the Kumtor mine produced 5.5 million ounces of gold from the Kumtor open pit at a total cash cost of approximately $183 (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 had been a 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.

In 2005, the Kyrgyz Republic went through a major change in its political life. The former President of the Kyrgyz Republic, Mr. Askar Akayev, was ousted from office following an earlier parliamentary election. The newly elected parliament designated Mr. Kurmanbeck Bakiyev as the new president of the Kyrgyz Republic. Subsequently, Mr. Bakiyev won a presidential election and was confirmed as the President of the Kyrgyz Republic for a five year term. Mr. Felix Kulov has been appointed the Prime Minister of the Kyrgyz Republic.

Following the ouster of President Akayev, the new government began various investigations into the activities of the prior government and former President Akayev's assets. Centerra's wholly-owned Kyrgyz subsidiary, Kumtor Gold Company ("KGC"), was included in the list of assets subject to inquiry by a special commission formed for this purpose on April 18, 2005. The commission published a report in June 2005 on its findings that did not contain any allegations against Centerra or its subsidiaries.

The State Audit Chamber of the Kyrgyz Republic was asked by the previous parliament to provide clarification to it with respect to the Kumtor restructuring in 2004. In April, 2005, KGC was requested to provide information with respect to the restructuring. KGC agreed to assist the Chamber in its review. Subsequently, in June 2005, the Attorney General's office requested documents from Centerra and its Kyrgyz subsidiaries as part of a criminal investigation into alleged abuses of power or authority by officers of the Kyrgyz government, Kyrgyzaltyn, and Centerra's Kyrgyz subsidiaries. The investigation was based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra responded cooperatively to these requests. Centerra stated publicly that it was not aware of any basis for allegations of criminal conduct, and noted that the Kumtor restructuring had been approved by government decree and was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring.

These inquiries and investigations have not resulted in any material negative effect on Kumtor, and to Centerra's knowledge, are inactive or are currently not being pursued by the Kyrgyz authorities. President Bakiyev and Prime Minister Kulov have also stated on several occasions that the Kyrgyz Republic will honour its agreements with Kumtor and Centerra. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of political debate.

Although the election of Mr. Bakiyev as President and the appointment of Mr. Kulov as Prime Minister brought a measure of stability to the Kyrgyz Republic following the events of March, 2005, the political situation in the country continues to evolve. There remains a risk of future political instability.

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, 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 750 hectares of land centred on the Kumtor gold deposits (the "Concession Area"). Its mineral and surface rights for the Kumtor deposit extend until May 10, 2043.

With the recent expansion of the mineral resources and reserves, KGC has applied for an expanded mining concession covering the original Concession Area, the Northeast Zone and the Southwest Zone, Sarytor and adjacent areas to the southwest. The Investment Agreement provides that the government of the Kyrgyz Republic shall grant any necessary additional mining concessions within the Exploration License (defined below) on substantially the same terms and conditions as those specified for the Concession Area. Pending the grant of the expanded concession, on January 30, 2006, KGC was granted a mining license comprising 56.5 hectares and covering the Southwest Zone. The license has a term of 180 days. The Southwest Zone probable reserves are estimated at 2.8 million tonnes at 3.2 g/t for 283,000 ounces of contained gold.

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 work at 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 4% of its net profits until the end of the Kumtor operations.

KGC was also granted the exclusive right to develop any mineral resources within a 7.5 kilometre radius from the perimeter of the original Concession Area, which includes the Northeast Zone, the Southwest Zone, Sarytor and adjacent areas to the southwest, an area covering approximately 26,660 hectares (the "Exploration License"). 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 License on substantially the same terms and conditions as those specified for the Concession Area.

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 removed during operations. 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, workshops, offices, a batch plant, two standby diesel generators and a tailings management facility. In February 2006, Centerra also commenced open pit mining at a satellite gold deposit located at the Southwest Zone.

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 27 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 2005, Centerra spent approximately $0.8 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. In 2005, further geotechnical monitoring of the tailings dam movement was performed by independent international and Kyrgyz engineers. It was recommended that an extension to the shear key and buttress would assure a more rapid cessation of movement of the tailings dam. A construction program for such an extension has been developed.

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 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. Kumtor operates 365 days-per-year. 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 1.4 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 north-western 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 up to 300 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 northeasterly 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 700 to 1,000 metres and a horizontal width of 40 to 80 metres, is reasonably well mineralized throughout its entire length, with an average gold grade of 3 to 4 grams per tonne. 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 northeastern end, the North and South Zones coalesce into the Stockwork Zone, which has higher gold grades and good 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. The Stockwork Zone plunges northeasterly at 40° to 50°, and diminishes in size below elevation 3900. Its down-plunge continuation below elevation 3,900 is known as the NB Zone. 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
- In the southwestern part of the deposit, the SB Zone (a division of the South Zone) has recently been found below elevation 3,900. Ongoing drilling in this area indicates this mineralization to be similar in character to the Stockwork Zone. While its full dimension remains to be defined, it appears somewhat smaller than the Stockwork Zone, but is of excellent grade. It is the SB Zone that has given rise to the large increase in the mineral reserves of the Kumtor deposit as the result of drilling conducted in 2005 in this area.

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 forms 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.

The Southwest Zone is located to the southwest of the Kumtor deposit across the Davidov glacier, along the Kumtor fault. It is about 2.5 kilometres from the Kumtor mill. To the southwest, the Southwest Zone is covered by the Sarytor glacier, beyond which additional mineralization is known as the Sarytor deposit.

The structural/lithological framework of the Southwest Zone and Sarytor areas is identical to those of the Kumtor deposit with the structural dips generally somewhat shallower than at Kumtor at an angle of 20° to 50°.

At the Southwest Zone, gold mineralization is strictly controlled by the Kumtor thrust zone. A number of individual zones of mineralization have been identified within an overall mineralized envelope that is around 100 metres thick and has been traced by surface drilling for a strike length in excess of one kilometre. Individual zones tend to be relatively narrow and of different levels of intensity, and their contacts are often marked by tectonic crush zones with black fault gouge. Due to the flat orientation of the mineralized zones, their contacts have a sinuous feature in both plan and section.

The Sarytor area is located further southwest from the Southwest deposit. The drill results indicate that mineralized horizon at the Sarytor area strikes east-west and dips south at 20° to 30°. The thickness of the mineralized envelope is relatively consistent and varies from 80 metres to 120 metres, with the strike length of the known mineralization being approximately 800 metres.

Host rocks are tectonized slates and phyllites with lenses of till-like conglomerates and dolomitic slates. Development of background alteration is weak and represented mainly by vein-type silicification. Host rocks do not carry any elevated gold values. The mineralization zone has been traced by drilling for 200 to 300 metres down dip.

The mineralized envelope hosts three mineralized zones separated by zones of strongly faulted host rocks. Alteration intensity and zone thickness increase southward. Metasomatism is represented by banded albite-carbonate-quartz alteration with 3% to 5% pyrite. Barite and siderite are well developed in the southern part of Sarytor. As a rule, pyrite content is positively correlated with the gold grade.

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 and consisting of:

- The delineation of the surface extent of the mineralization by 60 trenches;
- The exploration of the upper portion of the deposit by 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 2005, KOC has completed 378 diamond drill holes having an aggregate length of 112,047 metres in the area of the Kumtor deposit itself and an additional 268 diamond drill holes over an aggregate length of 45,475 metres in exploration areas surrounding the Kumtor deposit.

Exploration and business development expenditures at Kumtor were $14.6 million (US) during 2005. These expenditures relate primarily to ongoing drilling in the immediate vicinity of the main Kumtor pit and the Sarytor Zone. At Kumtor, planned exploration expenditures for 2006 are $11.4 million (US).

The 2005 exploration drilling program had the following contribution to the year-end increase in reserves and resources at Kumtor:

- Most of the increase in reserves is due to positive drilling results and the new pit design for the south-end of the main pit. Additional drilling is planned for 2006.
- The 940,000 ounces of gold increase from the 2004 year-end measured and indicated resources is largely attributable to positive exploration results in the north-end of the main pit. Additional drilling is planned for 2006.
- At the Southwest Zone, reserves and resources have not been updated during 2005 as there was no additional drill information developed for the deposit in 2005.

- At the Sarytor Zone, resources were upgraded due to 2005 drilling, although about 60% of the mineral resources are currently in the inferred category due to the open drill pattern. Additional drilling is planned for 2006.

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.

Employees

Kumtor has approximately 1,740 permanent employees, of which approximately 95% are Kyrgyz citizens. The Kumtor mine is unionized and all of Kumtor's national employees in the Kyrgyz Republic are subject to a collective agreement between KOC and the Trade Union Committee. KOC's labour relations to date have been generally good and there have no work stoppages due to labour disputes. However, the Trade Union Committee has recently demanded substantial additional compensation and alleged violations of labour legislation by KOC. KOC does not believe that the Trade Union Committee's position has merit. However, KOC is in discussions with the Trade Union Committee with a view to resolving the outstanding issues amicably. The collective agreement expires at the end of 2006.

Mining

Kumtor has approximately 1,740 permanent employees, of which approximately 95% are Kyrgyz citizens. The Kumtor deposit is mined using conventional open pit mining methods and in 2005 mined approximately 15,000 to 17,000 tonnes per day of ore and approximately 230,000 tonnes per day of waste.

Initially, part of the orebody was overlain by an icecap 10 to 30 metres thick. 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 4,300 metre elevation in 1996. Presently, mining is conducted between the 4,470 and 3,850 metre elevations. The current life of mine plan envisages mining down to the 3,620 metre elevation.

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 double 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 electro winning 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 5.6 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, 2005, a total of 48.2 million tonnes of ore has been milled with an average gold content of 4.5 grams per tonne. The total gold recovered was 5.5 million ounces. In addition, 453 million tonnes of waste and ice had been mined for an overall waste to ore strip ratio of 9.0 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 mining 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 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 structural model in the area of the northeast wall and reformulated slope design criteria for the final pit. The revisions in the structural 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, is postulated as being the main cause of the failure.

Centerra is pursuing a claim under its insurance arrangements for certain losses it incurred as a result of the highwall ground movement, in particular the failure of the working bench. At this time there can be no assurance as to whether Centerra will be compensated for these losses under the insurance arrangements or the amount of any compensation Centerra might receive.

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. This area has now been mined out.

In February 2006, additional minor movement was detected. Golder has made certain recommendations for remediation that are being implemented. The southeast wall area will continue to be closely monitored.

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 on the same 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.

Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, Kyrgyzaltyn is permitted, until April 28, 2006, to defer payments of gold for up to 12 calendar days. Kyrgyzaltyn has agreed to sell, before April 28, 2006, a sufficient number of Centerra common shares to yield $11 million (US) of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility to be used by Kyrgyzaltyn to resume the practice of pre-paying for gold. The obligations of Kyrgyzaltyn are secured by a pledge of a portion of the Centerra common shares owned by Kyrgyzaltyn.

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 $1.5 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 licenses 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.

In May 1998, a truck en route to the Kumtor gold mine accidentally overturned and spilled approximately 1,760 kilograms of sodium cyanide into the Barskaun River, which in turn drains into Lake Issyk-Kul. Following the accident, an independent scientific commission of international experts was assembled to assess the impact. The commission released its report to the public in September 1998 and, among other things, concluded that no fatalities resulted from the spill and that, based on reported cases where humans may have been affected within the first 72 hours, up to 16 cases of cyanide exposure may have occurred. However, the commission concluded that none of these exposure cases were confirmed and no medical evidence has been suggested to support these cases as being cyanide-related, and that none of these potential cases were likely to experience long term effects. Despite the finding of the international experts, a separate commission established by the Prime Minister of the Kyrgyz Republic determined that damages as a result of the accident amounted to $4.6 million. Subsequently, KGC reached a formal settlement agreement with the government of the Kyrgyz Republic. In January 1999, the settlement agreement was submitted to a tribunal of the American Arbitration Association, which reviewed the terms of settlement and confirmed them as fair and reasonable. This represents a final settlement of all claims or potential claims arising from the accident. Mine operations were not disturbed by the accident.

In July 2005, protesters, in an action related to the 1998 cyanide spill, illegally blocked access to the Kumtor mine alleging, among other things, a lack of compensation from the government. In response to the roadblock the government created a State Committee to inquire into various aspects of the Kumtor operation and the consequences of the spill. Based on the inquiries of the State Committee, the government issued a decree in September, 2005, requesting, among other things, that certain government agencies enter into negotiations with KOC and ask that KOC provide new funds to compensate local residents. Throughout these negotiations KGC's position continued to be that the settlement agreement was a final settlement of all claims and that any new compensation was the responsibility of the government. On November 14, 2005 there was a further illegal roadblock by protesters that blocked access to the mine. This roadblock was lifted on November 21, 2005 after further negotiations among the protesters, the government and KGC. As a result of these negotiations, the government acknowledged its responsibility for any new compensation relating to the spill. To assist the government in fulfilling its responsibilities, KGC agreed in principle to make interest-free advances of approximately $4 million to the government and in December, 2005, Centerra advanced $1 million of this amount. KGC has proposed terms for further advances and their repayment and expects to reach agreement with the government in the near future. However, if the government and KGC are unable to come to an agreement with respect to further advances to fund compensation, there is a substantial risk of further protests and roadblocks.

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, Centerra's future decommissioning and reclamation costs for the Kumtor mine were estimated to be approximately $20.5 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 recovery of working capital. In 1996, a reclamation trust fund was established for the future

costs of reclamation, net of estimated salvage values of $15 million (US). In order to fund this amount, contributions are made to the fund over the life of the mine based on ounces of gold sold. At December 31, 2005, the balance in the fund was $4.4 million (US), with the remaining $1.1 million (US) to be contributed over the remaining life of the mine. In 2004, a revised and more detailed draft decommissioning and reclamation plan was developed with an estimated cost of $21 million (US).

Kumtor Reserve and Resource 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;
   - reserves within the current ultimate pits are based upon $400 (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 grams gold per tonne at the Southwest Zone and to 60 grams gold per tonne at the main Kumtor pit;
   - 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 increase wall stability;
   - metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 60% to 90% for ore with a grade in excess of 5 grams per tonne, 60% to 82% for ore averaging a grade of 3.0 to 5.0 grams per tonne and 57% to 69% ore averaging less than 3.0 grams per tonne and refractory stockpiles;
   - reserves at the Kumtor mine are not only based on grades but also on the volume and location; and
   - for the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and 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 cut-off grade based on a gold price of $400 (US) per ounce.
3. Key Methods
   - the geological interpretation of the ore bodies outlines was done on vertical sections 40 metres apart and on plan views;
   - 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.

Historically, the good cumulative experience of reconciling nine years of production with the reserve estimates for the areas mined has resulted in a high degree of confidence in projections of future production. However, beginning in the fourth quarter of 2005 and continuing to date, the ore zones have tended to be narrower, causing increased dilution and lower than anticipated mill head grades. The KS-6 block model has been modified relative to the previous KS-5 model to improve dilution predictions, but production variations are continuing and further drilling is underway to better delineate the mineralization.

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.

The Kumtor deposit and the reserve and resource estimates are described in the technical report on the Kumtor Gold Mine, Kyrgyz Republic dated March 9, 2006, which has been prepared in accordance with National Instrument 43-101 of the Canadian securities regulators. The Kumtor technical report, prepared by Strathcona Mineral Services Limited ("Strathcona"), describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site and satellite deposits are the same as, or similar to, those described in the technical report. Among other things, the technical report also contains a summary of the life of mine plan, a production forecast for each year in the period 2006 – 2013, and a projected economic performance for the period 2006 – 2013. A copy of the Kumtor technical report can be obtained from SEDAR at www.sedar.com.

Boroo Mine

The Boroo open pit gold mine is located in Mongolia. 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, 2005, the Boroo mine produced about 286,000 ounces of gold at a total cash cost of approximately $183 (US) per ounce. Exploration expenditures were $2.2 million (US) in 2005. At year-end 2005, 349,000 ounces of contained gold have been added, which replaces reserves mined in 2005. The mineral reserve and resource estimates for Boroo are found at "Centerra Gold Inc. – Reserves and Resources".

Boroo has approximately 550 employees. The proportion of Mongolian citizens in the permanent workforce is approximately 92% 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.

The Boroo deposit is described in a NI 43-101 technical report dated May 13, 2004, which was prepared by Strathcona, and in Centerra's prospectus dated June 22, 2004. The Boroo technical report and Centerra's prospectus are available on SEDAR at www.sedar.com.

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 (this subsequent period starts in 2007). Following the expiry of this period, the maximum applicable rates will be revised to equal 15% of taxable income up to 100 million tugrigs and 30% of taxable income above this amount. The Stability Agreement only apples to the Boroo mine and does not apply to the Gatsuurt property.

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 licenses centred on and surrounding the Boroo gold deposit. The licenses 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. In addition, in respect of any future gold production from alluvial operations on the license covering the Ikh Dashir deposit, BGC must pay a 50% net profit royalty to a third party (which indirectly owns the other 5% equity interest in BGC) and a 7.5% royalty to the Mongolian government on alluvial gold sales. During 2006, 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 6,800 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 deposit is mined using conventional open pit mining methods and currently mines approximately 6,800 tonnes per day of ore and approximately 43,000 tonnes per day of waste. The strip ratio for the year ended December 31, 2005 was 5.5 to 1. The remaining life of mine waste to ore strip ratio is expected to be 5.1 to 1. During 2005, mining occurred in Pits 2, 3 and 5. Mining is done with bench heights of five metres, with ore mined on half-benches for improved grade control in the flat lying ore. Three to four benches are under development at any given time.

Milling

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

The mill was designed with a capacity to process 1.8 million tonnes of ore per year but the actual mill throughput is currently 2.2 million tonnes per year. The gravity circuit recovers about 30% to 40% of the gold contained in the ore and the overall gold recovery has been 92%, in accordance with the expectations based on the metallurgical test work.

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 licenses for the Boroo mine. Boroo's Environmental Impact Assessment and Environmental Monitoring and Protection Plans have been approved by the Mongolian government. Licenses 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

An approved closure plan has been prepared for the Boroo mine. The estimated cost 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 continued 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 licenses 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 a feasibility study, in connection with the Gatsuurt property in 2005 were $5.3 million (US).

Drilling and trenching programs have successfully delineated continuous mineralized zones at the Gatsuurt Central Zone and the Gatsuurt Main Zone areas. In 2005, the Gatsuurt resource base has been significantly expanded by recent drilling programs on the Main Zone.

A feasibility study was completed in 2005. The preferred option, supported by the study, is to modify the existing Boroo facility by adding a bio-oxidation circuit and processing the refractory material from Gatsuurt at the modified facility following the depletion of the oxide and transition zone reserves at the Boroo mine. This has the potential to significantly extend the life of the Boroo facility. Further analysis to optimize the project is continuing.

A NI 43-101 technical report dated January 27, 2005 for the Gatsuurt deposit was filed by Centerra and is available on SEDAR at www.sedar.com.

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 2005 were $3.7 million (US).

A NI 43-101 technical report dated June 15, 2004 for the REN property was filed by Centerra and is available on SEDAR at www.sedar.com.

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 person:

Qualified Person	Properties
Rob Chapman, Geologist and Professional Geoscientist, Director, Mergers & Acquisitions, Centerra	Kumtor Boroo REN Gatsuurt

To the knowledge of Cameco, the qualified person beneficially owns, 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, 2005 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 Investors concerning estimates of Measured and Indicated Resources:

This section uses the terms "measured resources" and "indicated resources". US investors are advised that while those terms are recognized and required by Canadian securities regulatory authorities, the US 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 Investors concerning estimates of Inferred Resources:

This section uses the term "inferred resources". US investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the US 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. Investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

RESERVES (1) (3)	PROVEN (100% basis)			PROBABLE (100% basis) (tonnes and ounces in thousands)			TOTAL RESERVES (100% basis)					
PROPERTY	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)
Boroo	8,810	2.8	774	4,580	3.0	444	13,390	2.8	1,218	609	89%	OP
Kumtor	17,600	3.7	2,099	22,562	3.9	2,854	40,162	3.8	4,953	2,609	83%	OP
Total	26,410	3.4	2,873	27,142	3.8	3,298	53,552	3.6	6,171	3,218	—	

RESOURCES (1)	MEASURED (100% basis)			INDICATED (100% basis) (tonnes and ounces in thousands)			MEASURED AND INDICATED RESOURCES (100% basis)				
PROPERTY	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
Boroo(4)(5)	1,870	2.4	147	782	2.2	54	2,652	2.4	201	101	OP
Gatsuurt(6)	—	—	—	18,597	3.1	1,854	18,597	3.1	1,854	977	OP
Kumtor (4)(7)	13,406	3.8	1,634	10,601	4.1	1,387	24,007	3.9	3,021	1,591	OP/UG
REN(8)	—	—	—	2,753	13.6	1,201	2,753	13.6	1,201	393	UG
Total	15,276	3.6	1,781	32,733	4.3	4,496	48,009	4.1	6,277	3,062	

	INFERRED RESOURCES (100% basis) (tonnes and ounces in thousands)				
PROPERTY	Tonnes	Grade g/t Au	Content oz Au	Cameco's Share oz Au	Mining Method
Boroo(4)(5)	2,563	2.0	167	84	OP
Gatsuurt(6)	3,980	3.0	378	199	OP
Kumtor (4)(7)	5,475	4.6	803	423	OP/UG
REN(8)	301	13.2	128	42	UG
Total	12,319	3.7	1,476	748	

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.

(3) For the purpose of estimating reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves were estimated with cut-off grades based on a gold price of $400 (US) per ounce.

(4) Open pit resources occur beneath the current ultimate pit designs using a gold price of $400 per ounce.

(5) The resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated mill recovery. The cut-off grades vary from 0.9 grams per tonne to 1.1 grams per tonne.

(6) The resources at Gatsuurt are estimated based on a cut-off grade of 1.6 grams per tonne.

(7) The open pit resources at the Kumtor mine are estimated based on a cut-off grade 1.3 grams per tonne. Underground resources occur below the main Kumtor pit shell and are estimated based on a cut-off grade of 5.0 grams per tonne.

(8) The resources at REN are estimated based on a cut-off grade of 8.0 grams per tonne.

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 2005. Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the reserves model, and changes to operating costs. The large majority of the increase in reserves and resources during 2005 is attributable to exploration results, with only a minimal part of the increase attributable to these other factors.

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

	December 31, 2004	2005 Throughput (2)	2005 Addition (Deletion)(3)	December 31, 2005
Reserves — Proven				
Boroo	34,000	(152,000)	505,000	387,000
Kumtor(4)	1,106,000	(323,000)	323,000	1,106,000
Total Proven Reserves	1,140,000	(475,000)	828,000	1,493,000
Reserves — Probable				
Boroo	552,000	—	(330,000)	222,000
Kumtor(4)	606,000	—	897,000	1,503,000
Total Probable Reserves	1,158,000	—	567,000	1,725,000
Total Proven and Probable Reserves	**2,298,000**	**(475,000)**	**1,395,000**	**3,218,000**
Resources — Measured				
Boroo	—	—	74,000	74,000
Kumtor(5)	525,000	—	336,000	861,000
Total Measured Resources	525,000	—	410,000	935,000
Resources — Indicated				
Boroo	97,000	—	(70,000)	27,000
Gatsuurt(6)	469,000	—	508,000	977,000
Kumtor(5)	483,000	—	247,000	730,000
REN	259,000	—	134,000	393,000
Total Indicated Resources	1,308,000	—	819,000	2,127,000
Total Measured and Indicated Resources	**1,833,000**	**—**	**1,229,000**	**3,062,000**
Resources — Inferred				
Boroo	97,000	—	(13,000)	84,000
Gatsuurt(6)	80,000	—	119,000	199,000
Kumtor(5)	763,000	—	(340,000)	423,000
REN	169,000	—	(127,000)	42,000
Total Inferred Resources	**1,109,000**	**—**	**(361,000)**	**748,000**

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 2005 mill feed and Cameco's share of 2005 ounces produced is due to mill recovery.

(3) Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs

(4) Kumtor reserves include the main pit and the Southwest Zone satellite deposit.

(5) Kumtor resources include the main pit, the Southwest Zone and Sarytor satellite deposits.

(6) Gatsuurt resources include the Central Zone and Main Zone deposits.

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 common 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. Despite this agreement to consult, each of Kyrgyzaltyn and CGI may at any time initiate a further distribution of Centerra’s common shares. 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.

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. For the 2006 fiscal year, Cameco ceased providing a number of these services to Centerra, including accounting services.

Additional Information on Centerra

Cameco is listed and publicly traded on the Toronto Stock Exchange. It is required to file with Canadian securities regulators its continuous disclosure documents on SEDAR, which documents are available to the public at www.sedar.com. As such, 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 Centerra’s operating properties. Except as otherwise noted, total cash cost per ounce is calculated in accordance with The Gold Institute Production Cost Standard. Adoption of the standard is voluntary, but most senior gold producers follow the standard when reporting cash cost per ounce data. Total cash costs 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 expenditures.

Total cash cost per ounce has been included because certain investors use this information to assess performance and also to determine Centerra's ability 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, 2005 on SEDAR for a reconciliation of total cash cost to the nearest GAAP measure.

RISK FACTORS

The businesses in which Cameco participates are subject to certain risks. The risks described below are not the only risks facing Cameco and other risks now unknown to Cameco may arise or risks now thought to be immaterial may become material. Some of the risks described below are only applicable to certain of Cameco's business interests, while others are generally applicable. No guarantee is provided that other factors will not affect the Company in the future. This discussion of risks should be read in conjunction with the discussion of risks in Cameco's Management's Discussion and Analysis. As the context requires for the following information, reference to the Company or Cameco also includes Cameco's direct and indirect subsidiaries, including Centerra.

Risks relating to Cameco and Centerra Generally

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 fluoride 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 or political 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; 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, fuel manufacturing, enrichment and nuclear generation facilities in North America and Europe, as well as processing facilities in Kazakhstan, 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, conversion and fuel manufacturing 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, conversion and fuel manufacturing 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 a material 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 applicable 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 a material adverse impact on Cameco's and Centerra's future cash flows, earnings, results of operations and financial condition.

Labour Relations

Cameco has unionized employees at its McArthur River and Key operations and Port Hope conversion and fuel manufacturing facilities. As the collective agreement for unionized employees at the McArthur River and Key Lake operations expired on December 31, 2005, Cameco and union representatives are negotiating a new long term collective agreement. The collective agreement covering unionized employees at the Port Hope conversion facility 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. The collective agreement covering unionized employees at ZPI's fuel manufacturing facility expires on June 1, 2007. Centerra's subsidiary, KOC, has a collective agreement covering unionized employees at the Kumtor mine, which expires at the end of 2006. Cameco cannot predict at this time whether new collective agreements will be reached with these or other employees without a work stoppage.

Any lengthy work interruptions could have a material adverse impact on Cameco'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, success of planned mining methods, 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, and the experience gained in use of a mining method.

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 a material 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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Uranium and gold 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.

Uranium refining, conversion and fuel manufacturing estimates are based on, among other things, the following factors: no disruption in supply from the Company's or third party sources; and the accuracy of estimated rates and costs of 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, uranium refining, conversion and fuel manufacturing; 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 their 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 a material adverse impact on Cameco's and Centerra's future cash flows, earnings, results of operations and financial condition.

Environmental, health and safety risk.

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 radiation risks uniquely associated with uranium mining, processing and fuel manufacturing. 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, conversion and fuel manufacturing 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, licenses 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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Governmental Regulation and Policy Risks

Cameco's operations and exploration activities, particularly uranium mining, refining, conversion, fuel manufacturing 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, decommissioning and reclamation, safety, toxic substances, transportation, 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, conversion and fuel manufacturing 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 and operation of mines and other facilities is contingent upon governmental approvals, licenses 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, licenses 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 aboriginal groups claiming certain rights with respect to traditional lands. Any significant delays in obtaining or renewing such approvals, licenses or permits could have a material adverse impact 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, including in the Kyrgyz Republic, a revolution in March 2005 resulting in the ouster of the long-time incumbent President. Although the election of a new President and appointment of a new Prime Minister have brought a measure of stability to the Kyrgyz Republic following the events of March 2005, the political situation continues to evolve. There continues to be a risk of future political instability. (For a discussion of the recent political unrest in the Kyrgyz Republic see "Kumtor Mine – Government and Political Factors.") 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. There is also a risk of terrorism in North America, Europe and elsewhere in the world.

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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

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 a material adverse impact 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 Métis.

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 US public lands, Centerra's interest in the REN property and Cameco's interest, held by subsidiaries, in its US ISL properties may be subject to various uncertainties which are common to the industry, with the attendant risk that its title may be defective or challenged.

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 and with respect to Centerra's Gatsuurt property as discussed in the paragraph below, there is no assurance that such uncertainties will not result is future losses or additional expenditures, which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. Gatsuurt LLC has recently informed Centerra that it does not believe that CGM complied with its obligation. Centerra believes that Gatsuurt LLC's position is without merit.

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, conversion and fuel manufacturing 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, 2005, about 4% of Cameco's forecast revenue under contract, for the period 2006 to 2008, 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 and Springfields toll-conversion 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 in eliminating the potential material adverse impacts of such risks.

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, 2005, Centerra also had $48 million of cash in Canadian currency.

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.

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 design and 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. If Cameco 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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Similarly 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 a material adverse impact on Centerra's expected contribution to Cameco's financial results.

Accounting Policies

The accounting policies and methods utilized by Cameco (and by Centerra and other entities in which Cameco has an interest) 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 could result 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 a material 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, conversion and fuel manufacturing 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. 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 a material 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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Cameco and Centerra may experience difficulties with their 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 a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Risks relating to Nuclear Business

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-term 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; production levels and costs of production in countries such as Russia and other republics of the CIS, Africa and Australia; and actions of investment and hedge funds in the uranium market.

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)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Spot										
High	16.50	14.30	11.80	10.90	9.40	9.50	10.20	14.40	20.50	36.50
Low	13.00	10.20	8.75	9.60	7.10	7.20	9.70	10.10	15.60	21.20

(1) Source: The Nuexco Exchange Value, published by TradeTech. 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)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Spot										
High	6.15	6.10	5.10	3.85	3.25	5.25	5.25	6.50	9.00	12.00
Low	5.85	5.10	3.50	2.55	2.35	3.65	5.05	4.90	6.80	11.00

(1) Source: The Nuexco Conversion Value, 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.

Large flood at the McArthur River Mine, Rabbit Lake 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 overlays 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 groundwater 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 is also the risk of a flood at the Rabbit Lake mine. Water inflows are not insurable.

There can be no guarantee against another flood of the McArthur River mine or a flood at the Rabbit Lake or Cigar Lake mine. A flood could result in a significant interruption of operations. Cameco may also experience loss of reserves if it is necessary to redesign or dewater one of these mines as a result of a flood. The consequences of a 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 at these deposits 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 impact on the Company.

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 ore bodies 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.

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 aboriginal groups in Northern Saskatchewan. Pursuant to historical treaties, First Nation bands in Northern Saskatchewan ceded title 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.

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 impact 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 2006 through 2008, Cameco's five largest customers are anticipated to account for approximately 35% of the Company's contracted supply of U_3O_8. For the period 2006 through 2008, Cameco's five largest UF_6 conversion customers are

anticipated to account for approximately 34% 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 39% of the Company's UO_2 sales in 2005. In addition, during 2005, revenues from one customer of Cameco's uranium and conversion segments represented approximately $134.6 million (16%) of Cameco's total revenues from those businesses. As well, sales for the Bruce A and B reactors represent a substantial portion of Company's fuel manufacturing business. The loss of any of the Company's largest customers or curtailment of purchases by such customers could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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, a claim against Cameco, a significant event disrupting Cameco's business or operations, or other factors may make it difficult or impossible for Cameco to obtain debt financing or equity financing on favourable terms or at all.

Technical Obsolescence

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

Risks Relating to Nuclear Electrical Generation

Generation and Technology Risks

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

BPLP is exposed to considerable technology risk because of the age of the Bruce units. Technology risks that could lead to significant impacts on the generating capability or operating life of BPLP's assets are not fully predictable. BPLP 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 events associated with generation risk or technology risk could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Nuclear Operations

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. BPLP has implemented risk management strategies, including the safety systems which are a part of 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, BPLP's nuclear facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of operations from BPLP'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, BPLP 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 BPLP will not have to incur significant capital expenditures for repairs or replacements in addition to those currently contemplated. To address these issues, BPLP 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 impact on BPLP.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Unplanned or Extended Outages

BPLP'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 extensions of planned outages significantly beyond their scheduled periods, or if there are one or more unplanned outages which, in aggregate, are for an extended period.

Labour Relations

BPLP has 3,500 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 cannot predict at this time whether new collective agreements will be reached with these or other employees without a work stoppage. Any lengthy work interruptions could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Government Regulation

BPLP's operations are subject to extensive government regulation which regulation may change from time to time. Failure to comply with government regulations could subject BPLP to the revocation of its operating licenses for its nuclear generation facilities, the imposition of additional conditions under such licenses, and fines or other penalties. Matters that are subject to regulation include nuclear operations, nuclear waste management and decommissioning and environmental matters including air emissions. These regulations are promulgated pursuant to both federal and provincial law. Operations that are not currently regulated may become subject to regulation. Since legal requirements frequently change and are subject to interpretation, BPLP is not able to predict the ultimate cost of compliance with regulatory requirements or their effect on operations. Some of BPLP's operations are regulated by government agencies that exercise discretionary powers conferred by statute. Since the scope of such authority is discretionary and may be inconsistently applied, BPLP is not able to predict the ultimate cost of compliance with these requirements or their effect on operations.

The introduction of the new fuel into the Bruce "B" units, plus the subsequent uprate of the units, requires CNSC regulatory approval. BPLP has commenced the environmental assessment process to support the licensing of the new fuel. ZPI also requires a license amendment to manufacture commercial quantities of the new fuel. Cameco anticipates that the CNSC licensing process by BPLP will commence in 2007. If a license amendment is not obtained by ZPI from the CNSC or BPLP does nor receive CNSC approval, this could lead to the Bruce "B" units being further de-rated. In addition, 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 "B" units and to impose additional onerous license conditions on BPLP. (See "Bruce Power LP-The Generating Facilities-New Fuel Program" and "Uranium Fuel Conversion Services-Operations- Ziractec-Fuel Fabrication.")

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Nuclear Waste Management and Decommissioning

BPLP 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 BPLP to the revocation of its operating licenses for its nuclear generation facilities, the imposition of additional conditions under such licenses, and fines and other penalties. Any release of radioactive material beyond prescribed limits from property leased or occupied by BPLP 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. BPLP incurs substantial costs for nuclear waste management and changes in federal regulation could result in additional costs that could have a material adverse affect on BPLP.

The wet bays at Bruce "B" have limited capacity to store used nuclear fuel. As required by contract with BPLP, 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 in station 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 affect on BPLP.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Restructuring of Ontario's Electricity Industry

The government of Ontario has the overall power to regulate Ontario's electricity industry. Ontario's electricity market opened to competition on May 1, 2002 with the introduction of competition in both the wholesale and retail markets in Ontario. The Ontario government subsequently announced regulatory changes as described under "Ontario's Electricity Regulation – Ontario Electricity Sector Restructuring". It is possible that further changes in the structure of the electricity market may occur based on the experience of the regulatory authorities and market participants in the new market environment. Such changes could be accomplished either through fundamental changes made by the government of Ontario to the structure of the Ontario electricity market, or through changes made to the market rules by the regulators.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Spot Market Electricity Prices

A significant portion of BPLP's revenue is tied, either directly or indirectly, to the spot market price for electricity in Ontario. The spot market price for electricity will vary depending on, amongst 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; wholesale market trading rules; mechanisms for maintaining adequate generation reserves; and the overall level of competition.

Although BPLP 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 volatile.

Reliance Upon Single Contractors

BPLP 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 BPLP 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 impact on BPLP's expected contribution to Cameco's financial results.

Dependence on Upon Single Customer

During 2005, electricity revenues from one customer of BPLP represented approximately 11% of BPLP's total revenues. The loss of this customer or curtailment of purchases by this customer, could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Competition

The spot market price for electricity in the Ontario market has been volatile. Since Market Opening and the subsequent regulation of the retail electricity market, wholesale prices have been volatile. It is not clear what impact the 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 BPLP's ability to compete depends upon many factors within and without its control. There can be no assurance that BPLP will be able to compete successfully or that competitive pressure will not have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Reliance Upon Transmission Systems

BPLP'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 BPLP'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 could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Effects of Weather

By the nature of its business, BPLP'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 BPLP'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 BPLP'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 BPLP, could be responsible for any shortfall in proportion to their market activity.

A significant portion of BPLP's revenues are derived from the sale of electricity under medium-term and long-term power purchase and electricity price heading agreements. The purchasers and BPLP 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 BPLP's credit risk for these sales being effectively managed. To the extent that financial assurances provided by such purchasers are inadequate, BPLP is subject to credit risk, the occurrence of which could have a material adverse impact on BPLP's expected contribution to Cameco's financial results. BPLP is likewise obligated, in certain circumstances, to provide financial assurances to such purchasers. Depending on the circumstances, this may burden the credit capacity of BPLP and Cameco. Cameco has committed to provide a certain amount of financial assurances to BPLP.

Risks Relating to Centerra

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$)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
US$ Average	388	331	294	279	279	271	310	363	409	444

On March 1, 2006 the closing price of gold on the London market (PM Fix) was $ 564 (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 a material 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. Based on 2005 year-end reserve estimates and current mining plans, the Kumtor mine is expected to be depleted by 2013 and the Boroo mine is expected to be depleted by 2011.

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. In February 2004, there was also movement detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. In February 2006, there was further movement detected in the southeast wall of the open pit. See "Kumtor Mine-Highwall Ground Movement" and "Kumtor Mine – Southeast Wall Movement" for additional details describing these events and the actions taken in response. There can be no guarantee against further ground movements. A 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 ground movement. The consequences of a 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.

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 a material adverse impact on Centerra's expected contribution to Cameco's financial results. Access to the Kumtor mine has been restricted on several occasions by illegal roadblocks. See "Kumtor Mine — Environmental, Health and Safety Matters".

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 materially adversely affected by this kind of activity.

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 by these miners) or other damage to Centerra's properties or further personal injury or death, for which Centerra could potentially be held responsible.

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 a material adverse impact on Centerra's expected contribution to Cameco's financial results.

Please see also see the additional disclosure in the Risk Factor section under the heading " *Governmental Regulation and Policy Risks* ".

Centerra may experience reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which Centerra holds an interest or which Centerra may 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, a claim against Centerra, a significant event disrupting Centerra's business or operations, or other factors 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 a material adverse impact on Centerra's expected contribution to Cameco's financial results.

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 it 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.

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 a material adverse impact on Centerra's expected contribution to Cameco's financial results.

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, 2005, 349,570,048 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, 2005 there were 8,723,170 stock options outstanding to acquire common shares of Cameco pursuant to the Company's stock option plan. As well, at December 31, 2005, Cameco had $230 million of Convertible Debentures outstanding. This issue may be converted into a total of 21.2 million common shares. See "5% Convertible Subordinated Debentures".) (The foregoing common share and stock option information adjusted for Cameco's February 17, 2006 two-for-one stock split of its outstanding common shares.) 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 thirteen.

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 million 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 rate is approximately 92.3 shares per $1,000 principal amount of Convertible Debentures, which translates to a conversion price of approximately $10.83 ($21.67 prior to the two-for one stock split on February 17, 2006) per Common Share, 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 one series of senior unsecured debentures outstanding and is a frequent issuer of commercial paper. Cameco's senior unsecured debentures ("Senior Unsecured Debentures") consist of $300 million of debentures that bear interest at the rate of 4.7% per annum and which mature September 16, 2015. On January 17, 2006, Cameco completed the redemption of the $50 million 7% senior unsecured debentures and $100 million 6.9% senior unsecured debentures for a total redemption price of $152 million plus accrued and unpaid interest. No commercial paper was outstanding at March 1, 2006.

As summarized in the following table, Dominion Bond Rating Service Limited ("DBRS") and Standard & Poor's Rating Service ("S&P") have provided ratings of the Company's commercial paper, Senior Unsecured Debentures, and Convertible Debentures as set out below:

Security	DBRS(1)	S&P(2)
Commercial Paper	R-1 (low)	A-2
Senior Unsecured Debentures	A (low)	BBB+
Convertible Debentures	BBB (high)	Not Rated

(1) Published as of May 20, 2005

(2) Published as of August 31, 2005

The credit ratings provided by DBRS and S&P ("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 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 share 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.

In January of 2006, Cameco announced that its board of directors approved a two-for-one stock split of its outstanding shares, to be effected by way of a stock dividend. All shareholders received one additional share for each share owned on the record date of February 17, 2006. The board of directors also approved an increase in the annual dividend from $0.24 to $0.32 ($0.16 post-split) beginning in 2006.

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 (adjusted for the December 31, 2004 stock split and not adjusted for the February 17, 2006 stock split).

	2005	2004	2003
Cash dividends declared per common share	$0.24	$0.20	$0.20

2005 CONSOLIDATED FINANCIAL STATEMENTS

The Company's 2005 Consolidated Financial Statements are incorporated herein by reference. This document has been filed by the Company, and is available, on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's Management's Discussion and Analysis is incorporated herein by reference. This document has been filed by the Company, and is available, on SEDAR at www.sedar.com.

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 29 Jersey City, New Jersey, 07310.

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 (not adjusted for the impact of the February 17, 2006 stock split).

	TSX		
2005	High	Low	Volume
January	$45.95	$37.93	22,239,481
February	$60.87	$42.72	25,550,996
March	$59.50	$47.70	30,292,532
April	$55.55	$44.65	20,405,817
May	$54.85	$45.90	20,507,414
June	$56.10	$49.97	15,216,450
July	$61.40	$53.75	17,570,059
August	$61.10	$52.90	16,373,066
September	$64.95	$58.50	16,356,346
October	$65.96	$54.67	17,612,458
November	$67.64	$56.50	15,052,090
December	$74.99	$65.86	12,868,406

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		
2005	High	Low	Volume
January	$ 223.00	$ 192.00	72,890
February	$ 285.47	$ 213.26	100,220
March	$ 279.04	$ 228.01	53,190
April	$ 261.50	$ 215.16	223,450
May	$ 259.75	$ 223.50	37,190
June	$ 264.00	$ 242.00	35,780
July	$ 286.00	$ 255.03	285,840
August	$ 280.01	$ 254.00	13,170
September	$ 305.00	$ 281.75	10,720
October	$ 309.58	$ 258.50	23,500
November	$ 316.50	$ 268.98	70,410
December	$ 349.54	$ 311.50	8,720

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
JOHN H. CLAPPISON (2, 3, 4, 7) Toronto, Ontario	Corporate Director, commencing in 2006; prior: 1990 to December 2005, managing partner of the Toronto office of PricewaterhouseCoopers LLP.	2006
HARRY D. COOK (2, 4, 6) La Ronge, Saskatchewan, Canada	Corporate Director, March 31, 2005 to present; prior: Chief, Lac La Ronge Indian Band from 1987 until 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, 6) Saskatoon, Saskatchewan, Canada	Lawyer, Partner, McDougall Gauley, 1984 to present. Effective January 2001 Gauley & Company merged with McDougall Ready to form McDougall Gauley.	1992

Directors Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since (1)
OYVIND HUSHOVD (2, 3, 5) Kristiansand S, Norway	Corporate Director, June 1, 2005 to present; prior: Chairman and Chief Executive Officer of Gabriel Resources Ltd., May 2003 to May 31, 2005; and President and Chief Executive Officer of Falconbridge Ltd. 1996 to 2002.	2003
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 and Chief Executive Officer, Claude Resources Inc. March 1, 2004 to present; prior: 1996 to March 1, 2004 President of Claude Resources Inc.	2001
ROBERT W. PETERSON (3, 4, 5) Regina, Saskatchewan, Canada	Member of the Senate of Canada 2005 to present and President and Chief Operating Officer Denro Holdings Ltd. 1994 to present.	1994
VICTOR J. ZALESCHUK (2, 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) Mr. Clappison was appointed audit committee financial expert to replace Mr. Zaleschuk on February 23, 2006.

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; prior Vice-President & Treasurer May 1999 to 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.

To the knowledge of the Company, the number of common shares of Cameco which were beneficially owned, directly or indirectly, or over which control or direction was exercised by all directors and officers of Cameco as a group, as at January 31, 2006, was 392,242, representing 0.1% of the outstanding common shares of Cameco.

To the knowledge of the Company, the number of common shares of Centerra which were beneficially owned, directly or indirectly, or over which control or direction was exercised by all directors and officers of Cameco as a group, as at January 31, 2006, was 22,340, representing 0.03% of the outstanding common shares of Centerra.

AUDIT COMMITTEE

Audit Committee Charter

A copy of the audit committee charter is attached as Appendix "A" 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 John Clappison. Mr. Clappison replaced Mr. Zaleschuk as a member of the committee on February 23, 2006. 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

John Clappison, a corporate director, is the former managing partner of the Toronto office of PricewaterhouseCoopers LLP. He currently serves on the board of Sun Life Financial Inc. (an international financial services organization) and other private and not-for-profit organizations. Mr. Clappison is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario. Mr. Clappison was also appointed as the audit committee financial expert to replace Mr. Zaleschuk on February 23, 2006.

Nancy Hopkins is a partner with the law firm of McDougall Gauley, LLP 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 Laws degree from the University of Saskatchewan. Ms. Hopkins chairs the Audit Committee.

Oyvind Hushovd, a corporate director, is the former Chair and Chief Executive Officer of Gabriel Resources Ltd., a Canadian-based precious metals exploration and development company, retiring in 2005. Prior to that he was the President and Chief Executive Officer of Falconbridge Limited from 1996 to 2002. He currently serves on 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, a corporate director, is the former President and Vice-Chancellor of the University of Saskatchewan. Dr. Ivany received a Bachelor of Science degree in Chemistry and Physics and a diploma in education from Memorial University of Newfoundland. He received a Master of Arts degree in Physics Education from the Teachers College, Columbia University and a Ph.D. in Secondary Education from the University of Alberta.

Neil McMillan is the President and Chief Executive Officer of Claude Resources Inc., a gold mining and oil and gas producing company based in Saskatoon, Saskatchewan. 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, Senator, is a member of the Senate of Canada, having been appointed in 2005. He is also 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.

Fees Paid to External Auditors

Fees paid to the external auditors during the years ended December 31, 2004 and 2005 were as follows:

	2005	2004
Audit fees:		
Cameco — audit	$ 389,000	$ 386,000
Cameco — securities	100,000	—
Centerra — audit	574,800	400,500
Centerra — securities	—	275,000
	$ 1,063,800	$ 1,061,500
Audit — related fees:		
Bruce Power Reorganization	$ 70,000	—
SOX 404 Scoping Project	35,000	$ 75,000
Translation services	10,000	9,000
Accounting disclosure	—	14,000
Pensions and other	7,500	10,700
	$ 122,500	$ 108,700
Tax:		
Compliance	$ 160,400	$ 83,800
Planning and advice	36,400	55,400
	$ 196,800	$ 139,200
All other fees:		
	—	—
Total	$ 1,383,100	$ 1,309,400

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.

MATERIAL CONTRACTS

The only contracts entered into by the Company since January 1, 2002 which are material and not entered into in the ordinary course of business are the following:

(a) On September 11, 2003, Cameco entered into an underwriting agreement with RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets and HSBC Securities (Canada) Inc. in connection with the issuance on October 1, 2003 of $230 million principal amount of 5% Convertible Debentures due in 2013. For more details on the Convertible Debentures, see "Description of Securities-5% Convertible Subordinated Debentures."

(b) On September 25, 2003, Cameco entered into a Trust Indenture with CIBC Mellon Trust Company in connection with the issuance on October 1, 2003 of $230 million principal amount of 5% Convertible Debentures due in 2013. This

Trust Indenture sets out the terms and conditions pertaining to the Convertible Debentures. For more details on the Convertible Debentures, see "Description of Securities-5% Convertible Subordinated Debentures."

(c) On September 1, 2005, Cameco entered into an underwriting agreement with RBC Dominion Securities Inc. and Scotia Capital Inc. in connection with the issuance on September 15, 2005 of $300 million principal amount of 4.7% unsecured debentures due in 2015. For more details on these debentures, see "Description of Securities-Rating of Securities."

(d) On September 16, 2005, Cameco entered into the Third Supplemental Indenture with CIBC Mellon Trust Company in connection with the issuance on September 15, 2005 of $300 million principal amount of 4.7% unsecured debentures due in 2015. This Third Supplemental Indenture, together with the July 12, 1999 original indenture, sets out the terms and conditions pertaining to the $300 million principal amount of 4.7% unsecured debentures due in 2015. For more details on these debentures, see "Description of Securities-Rating of Securities."

(e) On December 2, 2005, Cameco entered into an agreement to acquire a 100% interest in ZPI, a Canadian manufacturer of nuclear fuel bundles. The purchase was completed on February 1, 2006 at a purchase price of $108 million. For more details on this purchase, see "Uranium Fuel Conversion Services-Operations."

INTEREST OF EXPERTS

Name of Experts

The Company's auditor is KPMG LLP, independent chartered accountants, who have audited the Company's 2005 Consolidated Financial Statements, which are incorporated herein by reference.

The qualified persons, as defined by National Instrument 43-101, who have prepared or supervised the Company's uranium reserve and resources estimates as at December 31, 2005 are named at "Uranium Concentrates Business – Reserves and Resources". All of the qualified persons are employees or former employees of Cameco/or its subsidiaries.

The qualified person, as defined by National Instrument 43-101, who has prepared or supervised the Company's gold reserve and resources estimates as at December 31, 2005 is named at "Centerra Gold Inc. – Reserves and Resources". This qualified person is an employee of Centerra, a subsidiary of Cameco.

Interest of Experts

To the knowledge of the Company, the persons or company named or referred above under "Name of Experts" beneficially owns, directly or indirectly, less than 1% or more of any class of the Company's outstanding securities.

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, 2005 Management Proxy Circular for its May 2005 annual meeting of shareholders and will found in Cameco's Management Proxy Circular for its May 2006 annual and special meeting of shareholders that is expected to be available in April 2006. Such additional financial information is provided in the Company's consolidated financial statements for the fiscal year-ended December 31, 2005 and the Company's management's discussion and analysis relating to the same, which are incorporated herein by reference.

Appendix "A"

AUDIT COMMITTEE

OF THE BOARD OF DIRECTORS

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 reserves oversight committee of the board on the corporation's mineral reserves.

External Auditors

(i) External Auditors' Qualifications and Selection

1. Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the external auditors, who must be registered with agencies mandated by applicable law. The committee shall be entitled to adequate funding from the corporation for the purpose of compensating the external auditors for completing an audit and audit report.
2. Instruct the external auditors that:
   (a) they are ultimately accountable to the board and the committee, as representatives of shareholders; and
   (b) they must report directly to the committee.
3. Ensure that the external auditors have direct and open communication with the committee and that the external auditors meet regularly with the committee without the presence of management to discuss any matters that the committee or the external auditors believe should be discussed privately.

4. Evaluate the external auditors' qualifications, performance, and independence. As part of that evaluation:

   (a) at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law; and

   (b) annually review and confirm with management and the external auditors the independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and

   (c) annually review and evaluate senior members of the external audit team, including their expertise and qualifications. In making this evaluation, the audit committee should consider the opinions of management and the internal auditor.

   Conclusions on the independence of the external auditors should be reported to the board.

5. Review and approve 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 ordinary course of business, consistent with past practice. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to review all such transactions and situations. At the next committee meeting, the chair shall report 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.

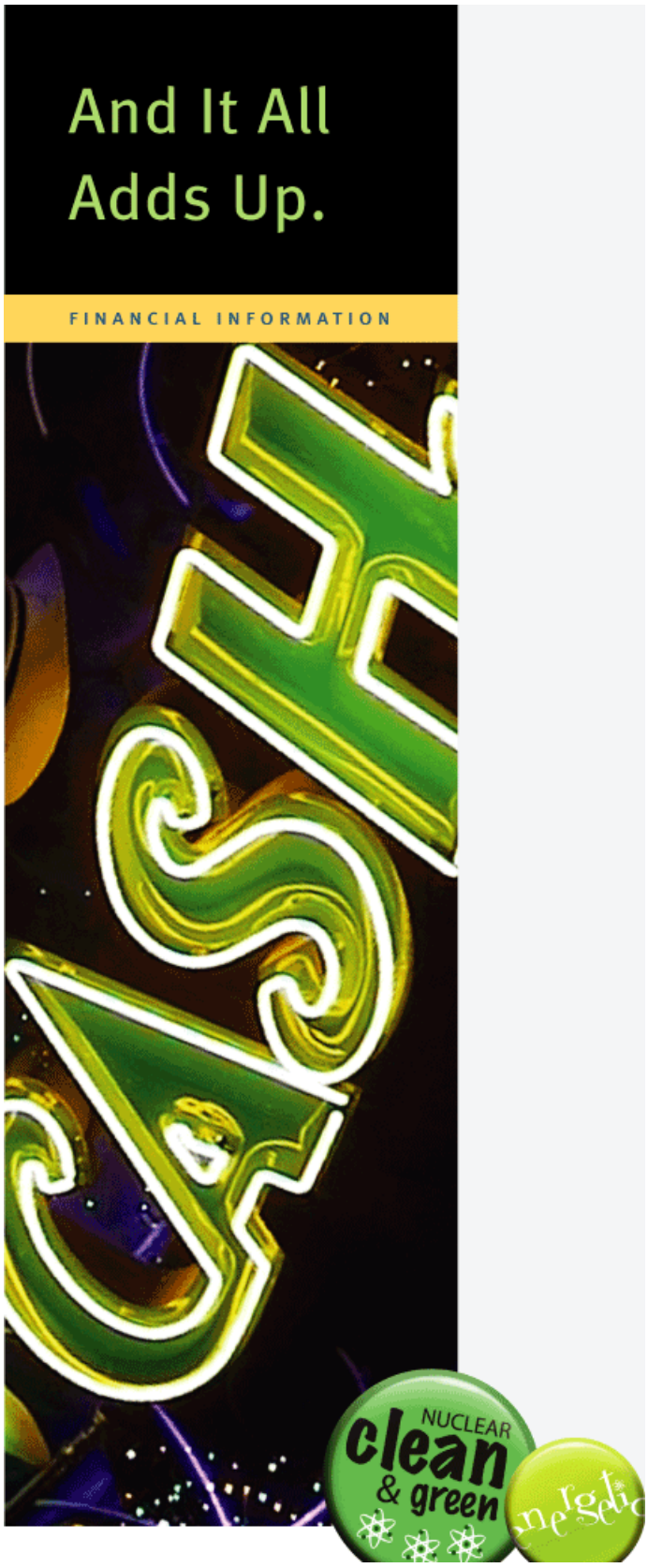
EXHIBIT 99.2

Cameco Corporation

2005 Consolidated Audited Financial Statements

January 30, 2006

Exhibit 99.2



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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 conduct and 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.

Original signed by O. Kim Goheen

Senior Vice-President and Chief Financial Officer

JANUARY 30, 2006

Auditors' Report

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2005. 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, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Original signed by KPMG LLP

Chartered Accountants

Saskatoon, Canada

JANUARY 30, 2006, except as to notes 9, 21(d) and 26 which are as of February 20, 2006

Consolidated Balance Sheets

As at December 31 ($Cdn thousands)	2005	2004
Assets		
Current assets		
Cash and cash equivalents	**$ 623,193**	$ 189,532
Accounts receivable	**340,498**	182,951
Inventories [note 3]	**399,675**	386,936
Supplies and prepaid expenses	**152,790**	90,923
Current portion of long-term receivables, investments and other [note 5]	**8,303**	898
	1,524,459	851,240
Property, plant and equipment [note 4]	**2,871,337**	2,281,418
Long-term receivables, investments and other [note 5]	**196,747**	732,262
Goodwill [note 19]	**180,232**	187,184
Total assets	**$ 4,772,775**	$ 4,052,104
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 350,399**	$ 231,697
Dividends payable	**10,487**	8,652
Current portion of long-term debt [note 6]	**156,699**	—
Current portion of other liabilities [note 8]	**17,553**	17,317
Future income taxes [note 13]	**73,910**	38,653
	609,048	296,319
Long-term debt [note 6]	**702,109**	518,603
Provision for reclamation [note 7]	**167,568**	166,941
Other liabilities [note 8]	**124,780**	31,086
Future income taxes [note 13]	**444,942**	533,024
	2,048,447	1,545,973
Minority interest	**360,697**	345,611
Shareholders' equity		
Share capital [note 9]	**779,035**	750,559
Contributed surplus [note 9]	**523,300**	511,674
Retained earnings	**1,114,693**	938,809
Cumulative translation account [note 10]	**(53,397)**	(40,522)
	2,363,631	2,160,520
Total liabilities and shareholders' equity	**$ 4,772,775**	$ 4,052,104

Commitments and contingencies [notes 7, 21, 22]

See accompanying notes to consolidated financial statements.

Approved by the board of directors

Original signed by Gerald W. Grandey and Nancy E. Hopkins

Consolidated Statements of Earnings

For the years ended December 31 ($Cdn thousands, except per share amounts)	2005	2004	2003
Revenue from			
Products and services	**$ 1,312,655**	$ 1,048,487	$ 826,946
Expenses			
Products and services sold	**814,032**	623,125	538,233
Depreciation, depletion and reclamation	**197,516**	180,229	125,866
Administration	**108,025**	69,565	47,610
Exploration	**57,468**	35,972	21,913
Interest and other [note 11]	**12,103**	14,264	16,653
Research and development	**2,410**	1,911	1,717
Gain on sale of assets	**(1,739)**	(1,958)	—
	1,189,815	923,108	751,992
Earnings from operations	**122,840**	125,379	74,954
Earnings from Bruce Power [note 16]	**165,775**	120,722	107,921
Other income (expense) [note 12]	**(13,989)**	133,421	429
Earnings before income taxes and minority interest	**274,626**	379,522	183,304
Income tax expense (recovery) [note 13]	**30,257**	73,285	(21,443)
Minority interest	**26,738**	27,452	(3,416)
Net earnings	**$ 217,631**	**$ 278,785**	**$ 208,163**
Basic earnings per common share [notes 9, 23]	**$ 0.63**	**$ 0.81**	**$ 0.62**
Diluted earnings per common share [notes 9, 23]	**$ 0.60**	**$ 0.78**	**$ 0.61**

Consolidated Statements of Retained Earnings

For the years ended December 31 ($Cdn thousands)	2005	2004	2003
Retained earnings at beginning of year	**$ 938,809**	$694,423	$519,910
Net earnings	**217,631**	278,785	208,163
Dividends on common shares	**(41,747)**	(34,399)	(33,650)
Retained earnings at end of year	**$1,114,693**	**$938,809**	**$694,423**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 ($Cdn thousands)	2005	2004	2003
Operating activities			
Net earnings	**$ 217,631**	$ 278,785	$ 208,163
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	**197,516**	180,229	125,866
Provision for future taxes [note 13]	**(51,723)**	31,058	(31,662)
Deferred charges (revenue) recognized	**(44,963)**	(19,085)	9,331
Unrealized gains on derivatives	**10,513**	(7,217)	—
Stock-based compensation [note 17]	**14,751**	7,206	2,439
Gain on sale of assets	**(1,739)**	(1,958)	—
Earnings from Bruce Power	**(165,775)**	(120,722)	(107,921)
Equity in (earnings) loss from associated companies [note 12]	**(184)**	(990)	1,494
Other income	**16,577**	(124,050)	—
Minority interest	**26,738**	27,452	(3,416)
Other operating items [note 14]	**58,194**	(22,666)	45,462
Cash provided by operations	**277,536**	**228,042**	**249,756**
Investing activities			
Acquisition of net business assets, net of cash acquired	**—**	(3,717)	—
Additions to property, plant and equipment	**(284,929)**	(148,273)	(166,840)
Restructuring of Bruce Power	**200,000**	—	—
Net proceeds on sale of investment in Energy Resources of Australia Ltd	**101,956**	—	—
Increase in long-term receivables, investments and other	**(6,077)**	(10,466)	(296,608)
Proceeds on sale of property, plant and equipment	**10,532**	1,769	242
Cash provided by (used in) investing	**21,482**	**(160,687)**	**(463,206)**
Financing activities			
Short-term financing	**(14,544)**	14,544	—
Decrease in debt	**(167,233)**	(169,083)	(25,848)
Increase in debt	**—**	100,300	59,001
Issue of debentures, net of issue costs	**297,750**	—	—
Issue of convertible debentures, net of issue costs	**—**	—	223,032
Issue of shares	**25,199**	41,281	27,411
Subsidiary issue of shares	**—**	101,234	—
Dividends	**(39,970)**	(34,262)	(32,275)
Cash provided by financing	**101,202**	**54,014**	**251,321**
Increase in cash during the year	**400,220**	121,369	37,871
Exchange rate changes on foreign currency cash balances	**(9,662)**	(15,906)	(11,898)
Increase in cash due to accounting change [note 16]	**43,103**	—	—
Cash at beginning of year	**189,532**	84,069	58,096
Cash at end of year	**$ 623,193**	**$ 189,532**	**$ 84,069**
Supplemental cash flow disclosure			
Interest paid	**$ 26,610**	$ 35,968	$ 31,026
Income taxes paid	**$ 48,429**	$ 18,262	$ 11,537

See accompanying notes to consolidated financial statements.

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. Cameco Corporation and its subsidiaries (collectively, “Cameco” or “the company”) are primarily engaged in the exploration for and the development, mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has a 31.6% interest in Bruce Power L.P. (“BPLP”), which operates the four Bruce B nuclear reactors in Ontario. 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) New Accounting Pronouncements

(i) In January 2005, the CICA issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments — Recognition and Measurement and Handbook Section 3865, Hedges.These standards are effective for interim and annual financial statements for Cameco’s fiscal years beginning January 1, 2007. The impact of implementing these new standards is not yet determinable as it is dependent on Cameco’s outstanding positions, hedging strategies and market volatility.

Comprehensive income

In January 2005, the CICA issued new standards for the reporting and display of comprehensive income.

Unrealized gains and losses on financial assets that will be held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of cash flow hedging instruments, will be recorded in the Consolidated Statement of Other Comprehensive Income until recognized in the Consolidated Statement of Earnings.Other comprehensive income will form part of shareholders’ equity.

Equity

In January 2005, the CICA issued revised standards requiring an enterprise to present a separate component of equity for each category of equity that is of a different nature.

Financial instruments

Disclosure and presentation

In April 2005, the CICA issued revised standards addressing the presentation and disclosure of financial instruments and non-financial derivatives.

Recognition and measurement

In January 2005, the CICA issued new standards for the recognition and measurement of financial instruments. Under the new standard, all financial instruments will be classified as one of the following: held to maturity, loans and receivables, held for trading or available for sale. Financial assets and liabilities held for trading will be measured at fair value with gains and losses recognized in net earnings. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with gains and losses recognized in other comprehensive income. The standard permits re-designation of any financial instrument as held for trading.

Hedges

In January 2005, the CICA issued new standards which specify the circumstances under which hedge accounting is permissible and how hedge accounting may be performed.

Fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation are permissible under the new section. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in fair value of the hedging derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net earnings. The amounts recognized in accumulated other comprehensive income will be reclassified to net earnings in the periods in which earnings are affected by the variability in the cash flows of the hedged item.

(ii) Non-monetary transactions

In June 2005, the CICA issued Handbook Section 3831, which provides revised standards on non-monetary transactions requiring that all non-monetary transactions be measured at fair value unless certain criteria are met.

These standards are effective for all non-monetary transactions initiated after January 1, 2006. Cameco does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

3. Inventories

	2005	2004
Uranium		
Concentrate	$292,099	$312,042
Broken ore	9,661	12,123
	301,760	324,165
Conversion	63,492	36,098
Gold		
Finished	14,311	12,651
Broken ore	20,112	14,022
	34,423	26,673
Total	**$399,675**	**$386,936**

4. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	**2005 Net**	2004 Net
Uranium				
Mining	$2,712,013	$1,382,042	$1,329,971	$1,352,529
Non-producing	577,181	—	577,181	446,753
Conversion	290,006	158,349	131,657	134,669
Power				
Assets under capital lease	164,300	43,100	121,200	—
Other	481,205	81,960	399,245	—
Gold				
Mining	828,165	550,680	277,485	321,201
Non-producing	2,877	—	2,877	2,970
Other	51,095	19,374	31,721	23,296
Total	**$5,106,842**	**$2,235,505**	**$2,871,337**	**$2,281,418**

5. Long-Term Receivables, Investments and Other

	2005	2004
BPLP [note 16]		
Interest in BPLP	$ —	$569,013
Loan receivable	—	75,195
Capital lease receivable from Bruce A L.P.	97,454	—
Receivable from Ontario Power Generation (“OPG”)	19,181	—
Accrued pension benefit asset [note 18]	18,119	—
Kumtor Gold Company (“KGC”)		
Reclamation trust fund	5,087	4,893
Investments in associated companies		
Investment in Technology Commercialization International, Inc.	—	2,647
Investment in UEX Corporation (market $166,530)	11,303	8,339
Portfolio investments		
Energy Resources of Australia Ltd	—	18,208
General Hydrogen Corporation	—	6,323
Deferred charges		
Debt issue costs	8,538	6,934
Gold hedges	3,291	9,894
Investment in Huron Wind L.P.	2,527	2,616
Advances receivable	21,928	15,104
Accrued pension benefit asset [note 18]	9,689	10,132
Other	7,933	3,862
	205,050	733,160
Less current portion	(8,303)	(898)
Net	**$196,747**	**$732,262**

Cameco,TransCanada PipeLines Limited (“TransCanada”) and BPC Generation Infrastructure Trust (“BPC”) loaned BPLP funds to repay $225,000,000, plus accrued interest, in deferred lease payments to OPG. Cameco’s share was $75,000,000 plus accrued interest at 10.5%.The loan receivable was eliminated in the change to proportionate consolidation.

BPLP leases the Bruce A nuclear generating plants and other property, plant and equipment to Bruce A L.P. under a sublease agreement. Future minimum base rent sublease payments under the capital lease receivable are imputed using a 7.5% discount rate.

6. Long-Term Debt

	2005	2004
Convertible debentures	$ 204,577	$ 202,370
Debentures	450,000	150,000
Capital lease obligation — BPLP [note 16]	204,231	—
Commercial paper	—	166,233
	858,808	518,603
Less current portion	(156,699)	—
Net	**$ 702,109**	**$ 518,603**

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, resulting in an effective interest rate of 6.85%.The amount is reflected as contributed surplus.The conversion price is $10.83 per share, a rate of approximately 92.3 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, 2005 and was approximately $794,000,000.

Cameco has $100,000,000 outstanding in senior unsecured debentures (Series A) that bear interest at a rate of 6.9% per annum and mature July 12, 2006. Cameco also has $50,000,000 outstanding in senior unsecured debentures (Series B) that bear interest at a rate of 7.0% per annum and mature July 6, 2006. Cameco completed a $300,000,000 senior unsecured debenture (Series C) issuance on September 16, 2005.These debentures bear interest at a rate of 4.7% per annum and mature September 16, 2015. On December 12, 2005, Cameco announced its intention to redeem in full the Series A and B debentures.The redemption prices under the trust indenture are based on the yield for a Government of Canada bond with the equivalent term to maturity plus 25 basis points for the Series A debentures and 34 basis points for the Series B debentures.The total redemption price of $152,104,000 plus accrued and unpaid interest was paid on January 17, 2006.

BPLP holds a long-term lease with OPG to operate the Bruce nuclear power facility.The term of the lease, which expires in 2018, is 18 years with an option to extend the lease for up to an additional 25 years.

Cameco has a $500,000,000 unsecured revolving credit facility that is available until November 30, 2010. Cameco may also borrow directly in the commercial paper market. Commercial paper outstanding at December 31, 2005 was nil (2004 – $166,233,000) and bears interest at an average rate of nil (2004 – 2.5%).These amounts, when drawn, are classified as long-term debt.

BPLP has a $150,000,000 credit facility that is available until May 8, 2006. As at December 31, 2005, BPLP did not have any amount outstanding under the facility.

Cameco has $246,530,000 ($166,201,000 (Cdn) and $68,899,000 (US)) in letter of credit facilities. Outstanding letters of credit at December 31, 2005 amounted to $206,647,000 (2004 – $203,570,000).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.

2006	$ 156,699
2007	7,890
2008	8,830
2009	10,170
2010	11,613
Thereafter	663,606
Total	**$ 858,808**

7. Provision for Reclamation

Cameco's estimates of future asset retirement obligations are based on reclamation standards that satisfy regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be $239,000,000. These estimates are reviewed by Cameco technical personnel as required by regulatory agencies or more frequently as circumstances warrant. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of $203,300,000 in the form of letters of credit to satisfy current regulatory requirements.

Following is a reconciliation of the total liability for asset retirement obligations:

	2005	2004	2003
Balance, beginning of year	$ 166,941	$ 150,444	$ 159,344
Acquisition of Kumtor interest [note 20]	—	14,852	—
Additions to liabilities	579	2,074	—
Liabilities settled	(6,938)	(4,357)	(13,214)
Accretion expense	9,017	9,246	8,757
Impact of foreign exchange	(2,031)	(5,318)	(4,443)
Balance, end of year	**$ 167,568**	**$ 166,941**	**$ 150,444**

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 – $239,000,000.

(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; 8.0% for operations in Kyrgyzstan; 8.5% for operations in Mongolia.

The asset retirement obligations liability is comprised of:

	2005	2004
Uranium	$ 101,573	$ 96,803
Conversion	44,923	47,090
Gold	21,072	23,048
Total	**$ 167,568**	**$ 166,941**

Under the BPLP lease agreement, OPG, as the owner of the Bruce nuclear plants, is responsible to decommission the Bruce facility and to provide funding and meet other requirements that the Canadian Nuclear Safety Commission ("CNSC") may require of BPLP as licensed operator of the Bruce facility. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

8. Other Liabilities

	2005	2004
Deferred revenue — currency hedges	$ 26,171	$ 22,975
Short-term financing	—	14,544
Accrued post-retirement benefit liability [note 18]	7,403	4,460
BPLP		
Accrued post-retirement benefit liability [note 18]	78,149	—
Deferred revenue — electricity contracts	16,047	—
Other	14,563	6,424
	142,333	48,403
Less current portion	(17,553)	(17,317)
Net	**$ 124,780**	**$ 31,086**

9. Share Capital

On January 31, 2006, the board of directors of Cameco approved a split of the company's outstanding common shares on a two-for-one basis. The stock split was effected in the form of a stock dividend of one additional common share for each share owned by shareholders of record at the close of business on February 17, 2006.The company's common shares commenced trading on a split basis on February 15, 2006 on the Toronto Stock Exchange ("TSX") and February 23, 2006 on the New York Stock Exchange. 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 $1.25 (2004 – $1.63; 2003 – $1.24).

Authorized share capital:

Unlimited number of first preferred shares

Unlimited number of second preferred shares

Unlimited number of voting common shares, and

One Class B share

(a) Common Shares

Number Issued (Number of Shares)	**2005**	2004	2003
Beginning of year	346,080,138	340,616,538	335,915,238
Issued:			
Debenture conversions	16,150	—	—
Stock option plan [note 17]	3,473,760	5,463,600	4,701,300
Issued share capital	**349,570,048**	**346,080,138**	**340,616,538**

Amount	**2005**	2004	2003
Beginning of year	$ 751,145	$ 711,063	$ 685,491
Issued:			
Debenture conversions	175	—	—
Stock option plan [note 17]	28,100	40,082	25,572
Issued share capital	**779,420**	**751,145**	**711,063**
Less loans receivable [note 17]	(385)	(586)	(2,718)
End of year	**$ 779,035**	**$ 750,559**	**$ 708,345**

(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

	2005	2004
Beginning of year	$ 511,674	$ 505,400
Stock-based compensation [note 17]	14,751	7,206
Options exercised [note 17]	(3,102)	(932)
Debenture conversions	(23)	—
End of year	**$ 523,300**	**$ 511,674**

10. Cumulative Translation Account

The balance represents the cumulative unrealized net exchange loss on Cameco's net investments in foreign operations and any foreign currency debt designated as hedges of the net investments.

11. Interest and Other

	2005	2004	2003
Interest on long-term debt	$ 35,388	$ 40,014	$ 38,901
Redemption of preferred securities	—	6,817	—
Other interest and financing charges	1,600	3,870	2,221
Foreign exchange losses	3,719	331	3,620
(Gains) losses on derivatives	7,754	(7,217)	—
Interest income	(10,517)	(4,819)	(6,776)
Capitalized interest	(25,841)	(24,732)	(21,313)
Net	**$ 12,103**	**$ 14,264**	**$ 16,653**

12. Other Income (Expense)

	2005	2004	2003
Restructuring of gold business	$ —	$ 122,946	$ —
Restructuring of Bruce Power	(93,545)	—	—
Sale of investment in Energy Resources of Australia Ltd	83,673	—	—
South Texas Project break fee	—	8,102	—
Dividends on portfolio investments	2,022	1,383	1,923
Writedown of portfolio investments	(6,323)	—	—
Equity in earnings (loss) of associated companies	184	990	(1,494)
Net	**$ (13,989)**	**$ 133,421**	**$ 429**

13. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2005	2004
Assets		
Property, plant and equipment	$ 129,823	$ 87,203
Provision for reclamation	53,901	49,903
Foreign exploration and development	33,618	32,479
Other	53,691	5,621
Future income tax assets before valuation allowance	271,033	175,206
Valuation allowance	(112,519)	(95,500)
Future income tax assets, net of valuation allowance	**$ 158,514**	**$ 79,706**
Liabilities		
Property, plant and equipment	$ 571,585	$ 568,275
Inventories	12,100	7,511
Long-term investments and other	93,681	75,597
Future income tax liabilities	**$ 677,366**	**$ 651,383**
Net future income tax liabilities	**$ 518,852**	**$ 571,677**
Less current portion	(73,910)	(38,653)
	$ 444,942	**$ 533,024**

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:

	2005	2004	2003
Earnings before income taxes and minority interest	$ 274,626	$ 379,522	$ 183,304
Combined federal and provincial tax rate	42.4%	43.5%	44.1%
Computed income tax expense	116,441	165,092	80,837
Increase (decrease) in taxes resulting from:			
Change in tax legislation	—	—	(81,300)
Provincial royalties and other taxes	3,079	5,541	7,380
Federal resource allowance	(8,181)	2,251	(1,506)
Manufacturing and processing deduction	(1,321)	(7,439)	(8,443)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(91,049)	(61,398)	(18,968)
Non-taxable portion of capital gain	(10,300)	(28,448)	—
Change in valuation allowance	17,019	(11,185)	—
Large corporations and other taxes	8,602	5,780	4,988
Stock-based compensation plans	6,121	3,128	1,076
Recovery of taxes due to amendment of tax treatment	(10,342)	—	—
Other	188	(37)	(5,507)
Income tax expense (recovery)	**$ 30,257**	**$ 73,285**	**$ (21,443)**

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.

	2005	2004	2003
Current income taxes			
Canada	$ 53,719	$ 34,486	$ 6,984
United States	583	1,348	—
Other	27,678	6,393	3,235
	$ 81,980	**$ 42,227**	**$ 10,219**
Future income taxes (recovery)			
Canada	$ (56,923)	$ 38,153	$ (30,786)
United States	2,538	(5,107)	—
Other	2,662	(1,988)	(876)
	$ (51,723)	$ 31,058	$ (31,662)
Net	**$ 30,257**	**$ 73,285**	**$ (21,443)**

14. Statements of Cash Flows

Other Operating Items

	2005	2004	2003
Changes in non-cash working capital:			
Accounts receivable	$ (78,552)	$ 4,660	$ 8,329
Inventories	(21,079)	(51,913)	(11,590)
Supplies and prepaid expenses	(22,282)	(16,629)	(3,649)
Accounts payable and accrued liabilities	44,381	39,083	31,989
Hedge position settlements	63,248	3,634	30,852
Reclamation payments	(6,535)	(5,186)	(9,903)
Bruce Power distributions	83,740	—	—
Other	(4,727)	3,685	(566)
Total	$ 58,194	$ (22,666)	$ 45,462

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.

Cameco previously accounted for its investment in BPLP using the equity method. As a result of the restructuring of the partnership agreement, which provides for joint control among the three major partners, Cameco began accounting for this investment as a joint venture effective November 1, 2005 [note 16].

16. Investment in BPLP

(a) Restructuring

On October 31, 2005, a new Bruce A limited partnership was formed to hold the lease for the four Bruce A reactors. Cameco was not part of this new partnership but it has maintained its existing 31.6% interest in BPLP, which retained ownership of the four Bruce B reactors. BPLP received an initial payment for the assets transferred to the Bruce A partnership which resulted in a special distribution to the partners. Cameco's share of the special distribution was $200,000,000. The reorganization involving Bruce A triggered a loss of about $62,000,000 (Cameco's share after tax) and resulted in amendments to the existing partnership agreement. These amendments led to joint control among the three major partners. As a result, effective November 1, 2005, Cameco has proportionately consolidated its 31.6% interest. Prior to November 1, 2005, Cameco was using the equity method to account for this investment.

(b) Fuel Supply Agreements

Cameco has entered into fuel supply agreements with BPLP for the procurement of fabricated fuel. Under these agreements, Cameco will supply uranium and conversion services and finance the purchase of fabrication services. Contract terms are at market rates and on normal trade terms. During 2005, sales of uranium and conversion services to BPLP amounted to $22,017,000 (2004 — $24,786,000), approximately 1.7% (2004 — 2.4%) of Cameco's total revenue. At December 31, 2005, amounts receivable under these agreements totalled $26,666,000 (2004 — $20,887,000).

(c) Supplementary Information

Cameco holds a 31.6% limited partnership interest in BPLP. Prior to November 1, 2005, Cameco accounted for its interest in BPLP using the equity method. Since November 1, 2005, Cameco has proportionately consolidated its share of BPLP. For 2005, $114,000,000 of earnings before taxes was accounted for under the equity method.

Balance Sheets

(Millions)	**2005**	2004
Current assets	$ 133	$ 123
Property, plant and equipment	415	706
Long-term receivables and investments	144	54
	$ 692	$ 883
Current liabilities	$ 98	$ 77
Long-term liabilities	354	356
	452	433
Equity	240	450
	$ 692	$ 883

Statements of Earnings

(Millions)	2005	2004	2003
Revenue	$ 565	$ 494	$ 351
Operating costs	380	366	252
Earnings before interest and taxes	185	128	99
Interest	21	21	22
Loss on restructuring	47	—	—
Earnings before taxes	**$ 117**	**$ 107**	**$ 77**

Statements of Cash Flows

(Millions)	2005	2004	2003
Cash provided by operations	$ 244	$ 140	$ 122
Cash provided by (used in) investing	103	(114)	(167)
Cash (used in) provided by financing	(328)	(33)	41

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 TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. Options 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 31,460,418, of which 19,613,034 shares have been issued.

Stock option transactions for the respective years were as follows:

(Number of Options)	2005	2004	2003
Beginning of year	9,737,340	12,240,000	13,342,500
Options granted	2,631,180	4,170,000	4,238,100
Options exercised [note 9]	(3,473,760)	(5,463,600)	(4,701,300)
Options cancelled	(171,590)	(1,209,060)	(639,300)
End of year	**8,723,170**	**9,737,340**	**12,240,000**
Exercisable	**2,859,318**	**3,253,800**	**5,724,600**

Upon exercise of certain existing options, additional options in respect of 121,600 shares would be granted.

Weighted average exercise prices were as follows:

	2005	2004	2003
Beginning of year	$ 7.64	$ 6.71	$ 6.50
Options granted	27.11	11.42	6.43
Options exercised	7.16	7.20	5.44
Options cancelled	28.79	13.17	9.68
End of year	**$ 13.29**	**$ 7.64**	**$ 6.71**
Exercisable	**$ 6.93**	**$ 6.27**	**$ 7.30**

Total options outstanding and exercisable at December 31, 2005 were as follows:

2005	Options Outstanding			Options Exercisable	
Option Price Per Share	Number	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number	Weighted Average Exercisable Price
$ 3.13 - - 5.84	720,000	3	$ 4.40	720,000	$ 4.40
5.85 - - 9.17	2,945,800	5	6.42	1,586,800	6.80
9.18 - - 12.59	2,588,480	6	10.54	552,518	10.61
12.60 - - 35.88	2,468,890	8	26.97	—	—
	8,723,170			**2,859,318**	

The foregoing options have expiry dates ranging from March 10, 2006 to December 8, 2015.

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, 2005, Cameco has recorded compensation expense of $14,751,000 (2004 — $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 2005.

Since Cameco's stock option awards vest over three years, the compensation expense included in the determination of net income for 2005 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:

	2005	2004	2003
Net earnings — as reported	$ 217,631	$ 278,785	$ 208,163
Add: Stock option employee compensation expense included in reported net earnings	14,751	7,206	2,439
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards	(14,828)	(7,810)	(3,893)
Net earnings — pro forma	**$ 217,554**	**$ 278,181**	**$ 206,709**
Pro forma basic earnings per share	**$ 0.63**	**$ 0.81**	**$ 0.61**
Pro forma diluted earnings per share	**$ 0.60**	**$ 0.78**	**$ 0.60**

The fair value of the options issued was determined using the Black-Scholes option-pricing model with the following assumptions:

	2005	2004	2003
Number of options granted	2,631,180	4,170,000	4,238,100
Average strike price	$ 27.11	$ 11.42	$ 6.43
Expected dividend	$ 0.12	$ 0.10	$ 0.10
Expected volatility	34%	37%	20%
Risk-free interest rate	3.5%	3.3%	4.1%
Expected life of option	4 years	4 years	5 years
Expected forfeitures	15%	15%	10%
Weighted average grant date fair values	$ 8.36	$ 3.39	$ 1.36

Executive Performance Share Unit (PSU), Deferred Share Unit (DSU), and Other Plans

Commencing in 2005, Cameco provides each executive officer an annual grant of PSUs in an amount determined by the board. Each PSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash at the board's discretion, at the end of each three-year period if certain performance and vesting criteria have been met. The final value of the PSUs will be based on the value of Cameco common shares at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on total shareholder return over the three years, Cameco's ability to meet its annual cash flow from operations targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. As of December 31, 2005, the total PSUs held by the executive was 196,200.

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 2005, 60% of each director's annual retainer was paid in DSUs. In addition, on an annual basis directors can elect to receive the remaining 40% 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 20 trading days prior to the redemption date multiplied by the number of DSUs held by the director. As of December 31, 2005, the total DSUs held by participating directors was 281,766 (2004 – 251,358).

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 TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. As of December 31, 2005, the number of options held by participating employees was 443,760 (2004 – 577,800) with exercise prices ranging from $4.81 to $27.04 per share (2004 – $4.81 to $10.52) and a weighted average exercise price of $12.12 (2004 – $8.35).

Cameco has recognized the following amounts for these plans:

	2005	2004	2003
Performance share units	$ 2,011	$ –	$ –
Deferred share units	4,089	1,896	1,032
Phantom stock options	8,537	4,376	3,058

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 employment services are rendered. However, these future obligations are not funded.

The effective date for the most recent valuations for funding purposes on the pension benefit plans is January 1, 2003. The next planned effective date for valuation for funding purposes of the pension benefit 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	
	2005	2004	**2005**	2004
Balance at beginning of year	$ 16,478	$ 15,380	$ 4,460	$ 3,389
Current service cost	803	806	226	186
Interest cost	849	1,031	271	271
Actuarial loss (gain)	–	–	2,364	(26)
Plan amendments	–	–	258	772
Benefits paid	(2,199)	(576)	(176)	(132)
Foreign exchange rate changes	(5)	(163)	–	–
	$ 15,926	**$ 16,478**	**$ 7,403**	**$ 4,460**

(b) Plan Assets

	Pension Benefit Plans	
	2005	2004
Fair value at beginning of year	$ 23,201	$ 21,758
Actual return on plan assets	1,337	885
Employer contributions	1,064	1,134
Benefits paid	(2,199)	(576)
Fair value at end of year	**$ 23,403**	**$ 23,201**

Plan assets consist of:

	Pension Benefit Plans	
	2005	2004
Asset Category (i)		
Equity securities	32%	32%
Bonds	20%	22%
Other (ii)	48%	46%
Total	**100%**	**100%**

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2005 and 2004 respectively.

(ii) Relates to the value of the refundable tax account held by the Canada Revenue Agency. The refundable total is approximately equal to half of the sum of the realized investment income plus employer contributions less half of the benefits paid by the plan.

(c) Funded Status Reconciliation

	Pension Benefit Plans		Other Benefit Plans	
	2005	2004	**2005**	2004
Fair value of plan assets	$ 23,403	$ 23,201	$ —	$ —
Accrued benefit obligation	15,926	16,478	7,403	4,460
Funded status of plans — surplus (deficit)	7,477	6,723	(7,403)	(4,460)
Unamortized net actuarial loss	1,249	1,740	—	—
Unamortized transitional obligation	963	1,669	—	—
Accrued benefit asset (liability) [notes 5, 8]	**$ 9,689**	**$ 10,132**	**$ (7,403)**	**$ (4,460)**

(d) Net Pension Expense

	2005	2004	2003
Current service cost	$ 803	$ 806	$ 806
Interest cost	849	1,031	984
Actual return on plan assets	(1,337)	(885)	(711)
Actuarial gain	—	—	(483)
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	315	952	596
Difference between actual and expected return on plan assets in the year	491	60	110
Difference between actuarial loss recognized for year and actual actuarial (gain) on accrued benefit obligation for year	—	87	672
Amortization of transitional obligation	706	694	694
Defined benefit pension expense	1,512	1,793	2,072
Defined contribution pension expense	6,569	5,418	4,857
Net pension expense	**$ 8,081**	**$ 7,211**	**$ 6,929**

	2005	2004	2003
Significant assumptions at December 31			
Discount rate	5.3%	6.5%	6.5%
Rate of compensation increase	4.5%	4.5%	4.5%
Long-term rate of return on assets	7.0%	7.0%	7.0%

(e) Other Post-Retirement Benefit Expense (Gain)

	2005	2004	2003
Current service cost	$ 226	$ 186	$ 129
Interest cost	271	271	206
Actuarial (gain) loss	2,364	(26)	(952)
Plan amendment costs	258	772	—
Other post-retirement benefit expense (gain)	**$ 3,119**	**$ 1,203**	**$ (617)**

	2005	2004	2003
Significant assumptions at December 31			
Discount rate	5.3%	6.5%	6.5%
Initial health care cost trend rate	11%	11%	11%
Cost trend rate declines to	6%	6%	6%
Year the rate reaches its final level	2011	2008	2008

(f) Pension and Other Post-Retirement Benefits Cash Payments

	2005	2004	2003
Employer contributions to funded pension plans	$ 1,599	$ 567	$ 10,885
Benefits paid for unfunded benefit plans	176	132	86
Cash contributions to defined contribution plans	6,569	5,418	4,857
Total cash payments for employee future benefits	**$ 8,344**	**$ 6,117**	**$ 15,828**

BPLP

BPLP has a funded registered pension plan and an unfunded supplemental pension plan. The funded plan is a contributory, defined benefit plan covering all employees up to the limits imposed by the Income Tax Act. The supplemental pension plan is a non-contributory, defined benefit plan covering all employees with respect to benefits that exceed the limits under the Income Tax Act. These plans are based on years of service and final average salary.

BPLP also has other post-retirement benefit and other post-employment benefit plans that provide for group life insurance, health care and long-term disability benefits. These plans are non-contributory.

The effective date for the most recent valuations for funding purposes on the pension benefit plans is January 1, 2004. The next planned effective date for valuation for funding purposes of the pension benefit plans is set to be January 1, 2007. The status of the defined plans is as follows:

(a) Funded Status Reconciliation

	Pension Benefit Plans 2005	Other Benefit Plans 2005
Fair value of plan assets	$ 526,188	$ —
Accrued benefit obligation	658,690	67,103
Funded status of plans — deficit	(132,502)	(67,103)
Unamortized net actuarial (gain) loss	150,621	(11,046)
Accrued benefit asset (liability) [notes 5, 8]	**$ 18,119**	**$ (78,149)**

(b) Pension Asset Categories

	Asset Allocation 2005	Target Allocation 2005
Asset Category (i)		
Equity securities	70%	70%
Fixed income	29%	30%
Cash	1%	—
Total	**100%**	**100%**

The assets of the pension plan are managed on a going concern basis subject to legislative restrictions. The plan's investment policy is to maximize returns within an acceptable risk tolerance. Pension assets are invested in a diversified manner with consideration given to the demographics of the plan participants. Rebalancing will take place on a monthly basis if outside of 3% of the target asset allocation.

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2005.

(c) Net Benefit Expense

	Pension Benefit Plans 2005	Other Benefit Plans 2005
Current service cost	$ 3,099	$ 555
Interest cost	5,301	550
Actual return on plan assets	(12,425)	—
Actuarial loss	18,412	1,935
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	14,387	3,040
Difference between actual and expected return on plan assets in the year	7,157	—
Difference between actuarial (gain) loss recognized and actual actuarial loss on accrued benefit obligation for year	(17,840)	(2,227)
Net benefit expense	**$ 3,704**	**$ 813**

(d) Assumptions

	Pension Benefit Plans 2005	Other Benefit Plans 2005
Significant assumptions at December 31		
Discount rate	5.3%	5.0%
Rate of compensation increase	3.5%	3.5%
Long-term rate of return on assets	7.3%	—
Assumed health care cost trend rates as at December 31		
Initial health care cost trend rate		10.0%
Cost trend rate declines to		4.5%
Year the rate reaches its final level		2011

(e) Pension and Other Post-Retirement Benefits Cash Payments

	2005
Employer contributions to funded pension plans	$ —
Benefits paid for unfunded benefit plans	189
Total cash payments for employee future benefits	**$ 189**

Benefits paid by the funded pension plan were $800,000 for 2005. BPLP's expected contributions for the year ended December 31, 2006 are approximately $22,200,000 for the pension benefit plans and $1,500,000 for the other benefit plans.

The following are estimated future benefit payments, which reflect expected future service:

	Pension Benefit Plan	Other Benefit Plans
2006	$ 7,500	$ 1,500
2007	10,500	1,800
2008	13,800	2,100
2009	17,200	2,300
2010	20,900	2,700
2011 to 2015	159,500	17,900

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 [note 20]. The excess of the purchase price over such fair value was recorded as goodwill.

Cameco tests goodwill for possible impairment on an annual basis and at any other time if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. During the third quarter of 2005, Cameco completed the goodwill impairment test for all reporting units. The results of this test indicated there was no impairment.

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 Inc.'s 33.3% interest was accounted for by the proportionate consolidation method.

The values assigned to the net assets acquired were as follows:

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 ("AGR")

(i) Acquisition of 56.2% Interest in AGR

On March 5, 2002, Cameco acquired a 52.2% interest in 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 neighbouring 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 were as follows:

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

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 were as follows:

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.

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 in its 2004 earnings.

21. Commitments and Contingencies

(a) Cameco signed a toll-conversion agreement with British Nuclear Fuels plc (BNFL) to acquire uranium UF_6 conversion services from BNFL's Springfields plant in Lancashire, United Kingdom. Under the 10-year agreement, BNFL is obligated to annually convert a base quantity of five million kgU as UO_3 to UF_6 for 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 tortuous 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 his appeal to the Supreme Court of the United States was also denied.

On October 9, 2005, Oren Benton filed a claim in Regina, Saskatchewan. The claim is similar to the action he commenced in Colorado except it does not specify the amount of damages claimed. 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 and 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 4% 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. The non-jury trial for this matter had originally been scheduled to start on June 20, 2005. The presiding judge had rescheduled the trial to August 5, 2005. On April 29, 2005, a hearing was held on MWM's motion that the Statement of Defense filed by PRI and the other defendants be struck, and the competing motion by PRI and the two other defendants that MWM's complaint be struck. The Magistrate Judge issued a report to the presiding judge on May 27, 2005 recommending that the defendant's motion to strike MWM's complaint be granted. The presiding judge endorsed the report of the Magistrate Judge and issued a judgment on September 15, 2005 dismissing MWM's claim and awarding the defendant's legal costs. The judgment is now being appealed.

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 financial impact on Cameco's financial position, results of operations and liquidity.

(d) On February 9, 2006, Cameco was served with a Statement of Claim issued out of the Ontario Superior Court of Justice by Rio Algom Limited ("Rio Algom"). Cameco is named in the Statement of Claim as a co-defendant with The Attorney General of Canada. In the Statement of Claim, Rio Algom is claiming against Cameco and The Attorney General of Canada $75,000,000 in damages plus costs and pre-judgment interest. The claim relates to tailings management costs incurred by Rio Algom for the now defunct uranium mines in the Elliott Lake area of northern Ontario. Rio Algom claims it is entitled to recover these costs under uranium sales agreements entered into in the 1950s by Rio Algom's predecessors and Eldorado Nuclear Mining and Refining Ltd., a federal crown corporation. Rio Algom claims Cameco is now responsible for Eldorado Nuclear Mining and Refining Ltd.'s historical liabilities.

(d) 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 and liquidity.

(e) In the fourth quarter, KGC entered into contracts to purchase plant and equipment for $62,200,000 (US). These commitments are expected to be settled in 2006.

(f) Annual supplemental rents of $26,000,000 (subject to CPI) per operating reactor are payable by BPLP to OPG. Should the hourly annual average price of electricity in Ontario fall below $30 per megawatt hour, the supplemental rent reduces to $13,000,000 per operating reactor. In accordance with the Sublease Agreement, Bruce A L.P. will participate in its share of any adjustments to the supplemental rent.

(g) Cameco, TransCanada and BPC have assumed the obligations to provide financial guarantees on behalf of BPLP. Cameco has provided the following financial assurances, with varying terms that range from 2004 to 2018:

i) Licensing assurances to Canadian Nuclear Safety Commission of up to $133,300,000. At December 31, 2005, Cameco's actual exposure under these assurances was $23,700,000.

ii) Guarantees to customers under power sales agreements of up to $166,700,000. At December 31, 2005, Cameco's actual exposure under these guarantees was $102,200,000.

iii) Termination payments to OPG pursuant to the lease agreement of $58,300,000.

(h) Commitments

At December 31, 2005, Cameco's purchase commitments, the majority of which are fixed price uranium and conversion purchase arrangements, were as follows:

	(Millions (US))
2006	$ 141
2007	126
2008	136
2009	126
2010	114
Thereafter	413
Total	**$ 1,056**

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 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.

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.

BPLP is exposed to changes in electricity prices associated with an open spot market for electricity in Ontario. To hedge the commodity price risk exposure associated with changes in the price of electricity, BPLP enters into various energy and related sales contracts. These instruments have terms ranging from 2005 to 2008. At December 31, 2005, the mark-to-market loss on these sales contracts was $37,708,000.

Currency

At December 31, 2005, Cameco had $1,132,000,000 (US) in forward contracts at an average exchange rate of $1.25 and €32,450,000 at an average exchange rate of $1.20. The foreign currency contracts are scheduled for use as follows:

(Millions)	US	Rate	Cdn	Euro	Rate	US
2006	$ 467	1.29	$ 602	€ 9	1.19	$ 11
2007	370	1.24	458	11	1.20	13
2008	195	1.21	236	7	1.20	8
2009	100	1.18	118	5	1.20	6
Total	**$ 1,132**	**1.25**	**$ 1,414**	**€** 32	**1.20**	**$ 38**

These positions consist entirely of forward sales contracts. The average exchange rate reflects the original spot prices at the time the contracts were entered into and includes deferred revenue. The realized exchange rate will depend on the forward premium (discount) that is earned (paid) as contracts are utilized.

At December 31, 2005, Cameco's net mark-to-market gain on these foreign currency instruments was $36,600,000 (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 2005 was 347,863,822 (2004 – 342,889,722; 2003 – 336,717,342).

	2005	2004	2003
Basic earnings per share computation			
Net earnings	$ 217,631	$ 278,785	$ 208,163
Weighted average common shares outstanding	347,864	342,890	336,718
Basic earnings per common share	**$ 0.63**	**$ 0.81**	**$ 0.62**
Diluted earnings per share computation			
Net earnings	$ 217,631	$ 278,785	$ 208,163
Dilutive effect of:			
Convertible debentures	8,394	8,055	2,290
Net earnings, assuming dilution	$ 226,025	$ 286,840	$ 210,453
Weighted average common shares outstanding	347,864	342,890	336,718
Dilutive effect of:			
Convertible debentures	21,214	21,230	5,700
Stock options	4,614	4,338	3,894
Weighted average common shares outstanding, assuming dilution	373,692	368,458	346,312
Diluted earnings per common share	**$ 0.60**	**$ 0.78**	**$ 0.61**

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

2005 (Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 690.1	$ 157.7	$ 577.8	$ 412.1	$ 1,837.7	$ (525.0)	$ 1,312.7
Expenses							
Products and services sold	428.5	120.2	315.4	231.0	1,095.1	(281.1)	814.0
Depreciation, depletion and reclamation	102.1	9.8	76.6	73.9	262.4	(64.8)	197.6
Exploration	25.7	—	—	31.8	57.5	—	57.5
Research and development	—	2.4	—	—	2.4	—	2.4
Other	(79.5)	—	109.1	—	29.6	(13.3)	16.3
Gain on sale of assets	(0.2)	(0.1)	—	(1.2)	(1.5)	—	(1.5)
Earnings from Bruce Power						(165.8)	(165.8)
Non-segmented expenses							117.6
Earnings before income taxes and minority interest	**213.5**	**25.4**	**76.7**	**76.6**	**392.2**	**–**	**274.6**
Income tax expense							30.3
Minority interest							26.7
Net earnings							**$ 217.6**
Assets	**$ 2,927.0**	**$ 239.3**	**$ 786.6**	**$ 819.9**	**$ 4,772.8**	**$ –**	**$ 4,772.8**
Capital expenditures for the year	**$ 203.8**	**$ 18.4**	**$ 335.2**	**$ 39.9**	**$ 597.3**	**$ (312.4)**	**$ 284.9**

2004 (Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 581.5	$ 144.5	$ 513.4	$ 322.5	$ 1,561.9	$ (513.4)	$ 1,048.5
Expenses							
Products and services sold	377.9	101.9	313.5	143.3	936.6	(313.5)	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 (Millions)	Uranium	Conversion	(i) Power	Gold	Subtotal	(i) Adjustments	Total
Revenue	$ 570.3	$ 142.4	$364.7	$114.2	$1,191.6	$ (364.7)	$ 826.9
Expenses							
Products and services sold	394.2	91.8	221.0	52.2	759.2	(221.0)	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**

(i) Consistent with the presentation of financial information for internal management purposes, Cameco's pro rata share of BPLP's financial results have been presented as a separate segment. In accordance with GAAP, this investment was accounted for by the equity method of accounting in these consolidated financial statements to October 31, 2005 [note 16] and the associated revenues and expenses prior to the restructuring are eliminated in the adjustments column.

(b) Geographic Segments

(Millions)	2005	2004	2003
Revenue from products and services			
Canada — domestic	$ 56.2	$ 77.4	$ 40.2
— export	267.7	244.0	337.5
United States	576.7	404.6	335.0
Kyrgyzstan	260.5	207.8	114.2
Mongolia	151.6	114.7	—
	$ 1,312.7	**$ 1,048.5**	**$ 826.9**
Assets			
Canada	**$** 3,767.5	**$** 3,089.2	**$** 2,882.4
United States	302.0	246.3	233.1
Kyrgyzstan	474.7	494.5	163.7
Mongolia	188.4	193.3	130.0
Kazakhstan	40.2	28.8	22.0
	$ 4,772.8	**$ 4,052.1**	**$ 3,431.2**

(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 2005, revenues from one customer of Cameco's uranium and conversion segments represented approximately $134,600,000 (16%) of Cameco's total revenues. In 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 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.

During 2005, electricity revenues from one customer of BPLP represented approximately 11% of BPLP's total revenues.

25. 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:

	2005	2004	2003
Net earnings under Canadian GAAP	**$ 217,631**	**$ 278,785**	**$ 208,163**
Add (deduct) adjustments for (d):			
Depreciation and depletion (i)	—	1,618	2,579
Mineral property costs (ii)	(1,760)	11,028	(7,218)
Pre-operating costs (iii)	1,512	3,658	1,512
Hedges and derivative instruments (iv)	(1,765)	(12,104)	12,304
Earnings from BPLP (iii) (iv)	25,407	2,015	(13,938)
Income tax effect of adjustments	(7,785)	(1,808)	2,034
Net earnings before cumulative effect of a change in accounting policy	**233,240**	**283,192**	**205,436**
Cumulative effect of a change in accounting policy (vi)	—	—	10,683
Net earnings under US GAAP	**233,240**	**283,192**	**216,119**
Hedges and derivative instruments (iv)	(36,748)	32,691	29,508
Foreign currency translation adjustments (v)	(12,875)	(27,266)	(32,309)
Unrealized gain (loss) on available-for-sale securities (vii)	(60,606)	36,849	21,410
Comprehensive income under US GAAP	**$ 123,011**	**$ 325,466**	**$ 234,728**
Basic net earnings per share under US GAAP*	**$ 0.67**	**$ 0.83**	**$ 0.64**
Diluted earnings per share under US GAAP*	**$ 0.65**	**$ 0.79**	**$ 0.63**

* Per share amounts for 2004 and 2003 have been restated to reflect the stock split [note 9].

(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

	2005		2004	
	Canadian GAAP	**US GAAP**	**Canadian GAAP**	**US GAAP**
Current assets	$1,524,459	$1,399,575	$ 851,240	$ 851,240
Property, plant and equipment	2,871,337	2,261,614	2,281,418	2,194,751
Long-term receivables, investments and other	196,747	462,437	732,262	832,924
Goodwill	180,232	180,232	187,184	187,184
Total assets	**$4,772,775**	**$4,303,858**	**$4,052,104**	**$4,066,099**
Current liabilities	$ 609,048	$ 518,005	$ 296,319	$ 296,319
Long-term debt	702,109	523,149	518,603	546,233
Provision for reclamation	167,568	167,568	166,941	166,941
Other liabilities	124,780	35,614	31,086	31,086
Deferred income taxes	444,942	419,664	533,024	522,114
	2,048,447	1,664,000	1,545,973	1,562,693
Minority interest	360,697	360,697	345,611	345,611
Shareholders' equity				
Share capital	779,035	779,035	750,559	750,559
Contributed surplus	523,300	492,827	511,674	481,201
Retained earnings	1,114,693	1,042,373	938,809	850,880
Accumulated other comprehensive income				
— cumulative translation account (v)	(53,397)	(32,175)	(40,522)	(19,300)
— available-for-sale securities (vii)	—	107	—	60,713
— hedges and derivative instruments (iv)	—	(3,006)	—	33,742
	2,363,631	2,279,161	2,160,520	2,157,795
Total liabilities and shareholders' equity	**$4,772,775**	**$4,303,858**	**$4,052,104**	**$4,066,099**

(ii) Components of accounts payable and accrued liabilities are as follows:

	2005		2004	
	Canadian GAAP	**US GAAP**	**Canadian GAAP**	**US GAAP**
Accounts payable	$217,360	$126,320	$137,901	$137,901
Taxes and royalties payable	88,539	88,539	55,258	55,258
Accrued liabilities	44,500	44,500	38,538	38,538
Total accounts payable and accrued liabilities	**$350,399**	**$259,359**	**$231,697**	**$231,697**

(c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following under US GAAP:

	2005	2004	2003
Cash provided by operations	$ 283,176	$ 239,070	$ 242,538
Cash provided by (used in) investing	$ 36,742	$ (171,715)	$ (455,988)
Cash provided by financing	$ 101,202	$ 54,014	$ 251,321

(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 2005 and 2004, there were no differences in accounting for mineral property development costs. In 2003, $7,218,000 was expensed under US GAAP. 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 $1,760,000 (2004 – $1,614,000; 2003 – nil).

Prior to 2004, the mineral property costs expensed under US GAAP included a provision for loan impairment totalling $12,642,000. Due to the recognition of reserves and the completion of a final feasibility study, Cameco was able to demonstrate the loan to be recoverable and reversed the impairment provision in 2004.

(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. 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. Differences in capitalized costs are amortized over the estimated lives of the assets to which they relate.

During 2004, $1,048,000 (2003 – $17,917,000) of costs related to the restart of two nuclear reactors at BPLP 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 $2,329,000 (2004 – $2,445,000; 2003 – nil).

In 2005, the BPLP agreement was restructured resulting in the disposition of certain assets and recognition of a loss. Under US GAAP, the carrying value of these assets was less than under Canadian GAAP. Accordingly, the pre-tax loss has been reduced by $22,820,000.

(iv) Hedges and Derivative Instruments

Under US GAAP, all derivative instruments are recognized on the balance sheet as either assets or liabilities 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.

Prior to 2004, forward points were included in the assessment of hedge effectiveness for Canadian GAAP purposes and excluded for US GAAP purposes. The cumulative impact of this difference was $16,042,000 at December 31, 2003 of which $1,765,000 was recognized in 2005 (2004 – $12,104,000).

For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2005, a gain of $21,883,000 (after tax) relates to the hedging of foreign exchange risk. Of these amounts, $8,794,000 (after tax) would be recorded in earnings during 2006 if market conditions remained unchanged. The impact on other comprehensive income for 2005 is a loss of $14,583,000 (2004 – gain of $38,814,000; 2003 – gain of $26,107,000).

BPLP 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, 2005, a loss of $24,887,000 (after tax) relates to the hedging of electricity price risk. Of this amount, $16,520,000 (after tax) would be recorded in earnings for 2006 if market conditions remained unchanged. The impact on other comprehensive income for hedge accounting for 2005 is a loss of $22,165,000 (2004 – loss of $6,123,000; 2003 – gain of $3,401,000).

Prior to August 2003, certain BPLP 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. Accordingly, changes in the fair value of these contracts were charged to US GAAP earnings. Under Canadian GAAP, hedge accounting was applied prior to August 2003, resulting in differences to be recognized in future periods. As a result of this past difference in hedge accounting treatment, $259,000 was recognized in earnings in 2005 (2004 – $618,000; 2003 – $3,979,000).

(v) Cumulative Translation Account

Under US GAAP, exchange gains and losses arising from the translation of our net investments in foreign operations are included in comprehensive income. In addition, exchange gains and losses of any foreign currency debt designated as hedges of those net investments are included in comprehensive income. Cumulative amounts are included in accumulated other comprehensive income on the balance sheet.

(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 effect of the change in policy on the balance sheet at December 31, 2002 is to increase property, plant and equipment by $22,827,000, future income taxes by $7,646,000, liabilities by $4,498,000 and opening retained earnings by $10,683,000. Under US GAAP, the adjustment of $10,683,000 is recorded in income in 2003 as a cumulative effect of a change in accounting policy.

(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 investment in Energy Resources of Australia Ltd was sold in 2005 and 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, 2005 is $887,000 (2004 – $79,785,000). The cumulative unrealized gain at December 31, 2005 is $107,000 (2004 – $60,713,000).

(e) Investment in BPLP

Under Canadian GAAP, Cameco accounts for its interest in BPLP by the proportionate consolidation method. Under US GAAP, Cameco is required to equity account for its investment and record in earnings its proportionate share of their net earnings measured in accordance with US GAAP.

(f) 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 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:

	2005	2004	2003
Net earnings for the year in accordance with US GAAP as calculated above	$ 233,240	$ 283,192	$ 216,119
Effect of recording compensation expense under stock options plans	(77)	(604)	(2,027)
Pro forma net earnings after application of SFAS 123	**$ 233,163**	**$ 282,588**	**$ 214,092**
Pro forma basic net earnings per common share after application of SFAS 123*	**$ 0.67**	**$ 0.82**	**$ 0.64**
Pro forma diluted net earnings per common share after application of SFAS 123*	**$ 0.65**	**$ 0.79**	**$ 0.62**

* Per share amounts for 2004 and 2003 have been restated to reflect the stock split [note 9].

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
Dividend	$ 0.09	$ 0.09
Expected volatility	20.0%	39.6%
Risk-free interest rate	5.0%	5.5%
Expected life of option	5 years	8 years
Expected forfeitures	17.0%	20.0%
Weighted average grant date fair values	$ 1.81	$ 2.27

(g) New Accounting Pronouncements

In March 2005, the FASB issued Financial Interpretation 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies that the term “conditional asset retirement obligation” as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years

ending after December 15, 2005. The adoption of this statement did not have a material impact on Cameco's consolidated financial statements.

In March 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04-6, Accounting for Stripping Costs Incurred during Production in the Mining Industry. In the mining industry, companies may be required to remove overburden and other mine waste materials to access mineral deposits. The EITF concluded that the costs of removing overburden and waste materials, often referred to as "stripping costs", incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. Issue No. 04-6 is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. Cameco does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

In June 2005, the FASB issued Statement 154, Accounting Changes and Error Corrections, which replaces APB Opinion 20 and FASB Statement 3. Statement 154 changes the requirements for the accounting and reporting of a change in accounting principle. Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of the new accounting principle in net income of the period of the change. Statement 154 now requires retrospective application of changes in accounting principle to prior period financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement is effective for fiscal years beginning after December 15, 2005. Cameco does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

26. Subsequent Events

(a) On February 1, 2006, Cameco announced it had completed the acquisition of a 100% interest in Zircatec Precision Industries, Inc. for $108,000,000, subject to closing adjustments. Zircatec's primary business is manufacturing nuclear fuel bundles for sale to companies that generate electricity for Candu reactors. Cameco used cash to fund this acquisition that is expected to be moderately accretive to cash flow and earnings in 2006, assuming there is no significant change to existing revenue and costs.

(b) On January 31, 2006, the board of directors of Cameco approved a split of the company's outstanding common shares on a two-for-one basis. The stock split was effected in the form of a stock dividend of one additional common share for each share owned by shareholders of record at the close of business on February 17, 2006.

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 25, 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.

Nuclear generating plants are depreciated according to the straight-line method based on the lower of useful life and remaining lease term.

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 pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Cameco measures the plan assets and the accrued benefit obligation on December 31 each year.

On both the Cameco-specific and BPLP-specific defined benefit pension plans, past service costs arising from plan amendments are amortized on a straight-line basis over the expected average service life of the plan participants. Net actuarial gains, which exceed 10% of the greater of the accrued benefit obligation and the fair value of plan assets, are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

On the Cameco-specific retirement benefit plans that do not vest or accumulate, past service costs arising from plan amendments, and net actuarial gains and losses, are recognized in the period they arise. Conversely, the BPLP-specific amounts are amortized on a straight-line basis over the expected average service life of the plan participants.

Stock-Based Compensation

Cameco has four stock-based compensation plans that are described in note 17. These encompass a stock option plan, a preferred share unit 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, preferred share units and phantom stock options are amortized over their vesting periods and re-measured 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 recognizes revenue on the sale of its nuclear products when persuasive evidence of an arrangement exists, delivery occurs, the related revenue is fixed or determinable and collection is reasonably assured.

Cameco has three types of sales arrangements with its customers in its uranium and conversion businesses. These arrangements include uranium supply, toll conversion services and conversion supply (converted uranium), which is a combination of uranium supply and toll conversion services.

Uranium Supply

In a uranium supply arrangement, Cameco is contractually obligated to provide uranium concentrates to its customers. Cameco-owned uranium is physically delivered to conversion facilities ("Converters") where the Converter will credit Cameco's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, Cameco instructs the Converter to transfer title of a contractually-specified quantity of uranium to the customer's account at the Converter's facility. At this point, Cameco invoices the customer and recognizes revenue for the uranium supply.

Toll Conversion Services

In a toll conversion arrangement, Cameco is contractually obligated to convert customer-owned uranium to a chemical state suitable for enrichment. The customer delivers uranium to Cameco's conversion facilities. Once conversion is complete, Cameco physically delivers converted uranium to enrichment facilities ("Enrichers") where the Enricher will credit Cameco's account for the volume of accepted processed uranium. Based on delivery terms in a sales contract with its customer, Cameco instructs the Enricher to transfer title of a contractually-specified quantity of converted uranium to the customer's account at the Enricher's facility. At this point, Cameco invoices the customer and recognizes revenue for the toll conversion services.

Conversion Supply

In a conversion supply arrangement, Cameco is contractually obligated to provide uranium concentrates and conversion services to its customers. Cameco-owned uranium is converted and physically delivered to an Enricher as described in the toll conversion services arrangement. Based on delivery terms in a sales contract with its customer, Cameco instructs the Enricher to transfer title of a contractually-specified quantity of converted uranium to the customer's account at the Enricher's facility. At this point, Cameco invoices the customer and recognizes revenue for both the uranium supplied and the conversion service provided. It is rare for Cameco to enter into back-to-back arrangements for uranium supply and toll conversion services. However, in the event that a customer requires such an arrangement, revenue from uranium supply is deferred until the toll conversion service has been rendered.

Cameco records revenue on the sale of gold when title passes and delivery is effected.

Electricity sales are recognized at the time of generation, and delivery to the purchasing utility is metered at the point of interconnection with the transmission system. Revenues are recognized on an accrual basis, which includes an estimate of the value of electricity produced during the period but not yet billed.

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.

BPLP uses various energy and related sales contracts to reduce exposure to fluctuations in the price of electricity in Ontario. Gains or losses on hedging instruments are recognized in earnings over the term of the contract when the underlying hedged transactions occur. All energy contracts are designated as hedges of BPLP's electricity sales.

Earnings Per Share

Earnings per share are calculated using the weighted average number of paid common shares outstanding.

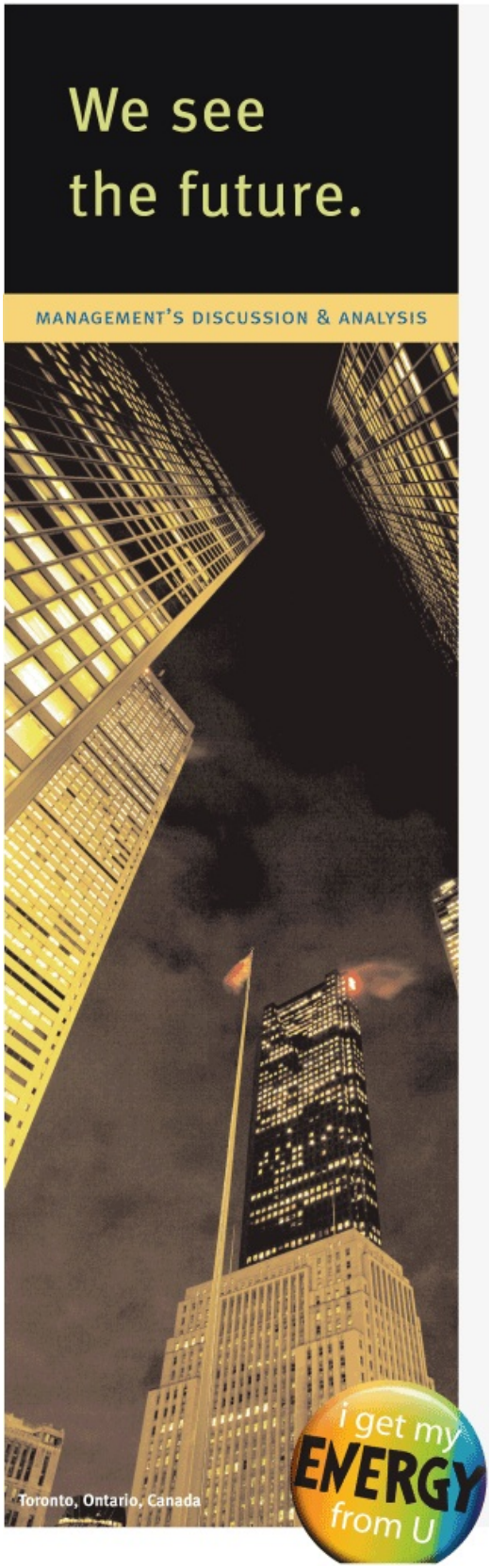
The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

EXHIBIT 99. 3

Cameco Corporation

2005 Management's Discussion and Analysis

Exhibit 99.3



Nuclear energy provides 50% of Ontario's total electricity.

How to use this MD&A 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 17, 2006. The MD&A is intended to supplement and complement our audited consolidated financial statements and notes thereto for the year ended December 31, 2005, prepared in accordance with Canadian generally accepted accounting principles (GAAP), (collectively our financial statements). As required by securities authorities, a

reconciliation of our Canadian GAAP financial statements to US GAAP is included in note 25 to the consolidated financial statements. You are encouraged to review our financial statements in conjunction with your review of this MD&A. Additional information relating to the company, including our annual information form, is available on SEDAR at sedar.com. For information on Cameco's uranium and gold reserves and resources, see Cameco's annual information form or annual report under "Reserves and Resources." All dollar amounts are in Canadian dollars, unless otherwise specified. The financial information in this MD&A has been prepared in accordance with Canadian GAAP, unless otherwise indicated. All sensitivities in this MD&A noted for 2006 reflect the potential impact for the full year.

Statements contained in this MD&A, 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. For more detail on these factors, see the section titled "Caution Regarding Forward-Looking Information" in this MD&A.

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.

MISSION

Our mission is to bring the multiple benefits of nuclear energy to the world. We are a global supplier of uranium fuel and a growing supplier of clean electricity. We deliver superior shareholder value by combining our extraordinary assets, exceptional employee expertise and unique industry knowledge to meet the world's rising demand for clean, safe and reliable energy.

The key measures of our success are a safe, healthy and rewarding workplace, a clean environment, supportive communities and outstanding financial performance.

VALUES

SAFETY AND ENVIRONMENT

The safety of people and protection of the environment are the foundations of our work. All of us share in the responsibility of continually improving the safety of our workplace and the quality of our environment.

PEOPLE

We value the contribution of every employee and we treat people fairly by demonstrating our respect for individual dignity, creativity and cultural diversity. By being open and honest we achieve the strong relationships we seek.

INTEGRITY

Through personal and professional integrity, we lead by example, earn trust, honour our commitments and conduct our business ethically.

EXCELLENCE

We pursue excellence in all that we do. Through leadership, collaboration and innovation, we strive to achieve our full potential and inspire others to reach theirs.

Customer Countries

> Argentina
> Belgium
> Canada
> Czech Republic
> Finland
> France
> Germany
> Japan
> South Korea
> Spain
> Sweden
> Taiwan
> United Kingdom
> United States

Cameco's Businesses

Cameco is involved in four business segments:

- uranium,
- fuel services,
- nuclear electricity generation, and
- 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 about 16% of the world's electricity.

NUCLEAR FUEL

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 processed at a mill to produce uranium concentrates. 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.

URANIUM

Cameco is the world's largest uranium producer, accounting for 20% of the world's production in 2005 and backed by more than 525 million pounds of proven and probable reserves of uranium. We have controlling ownership of the world's largest high-grade uranium reserves and low-cost operations located in northern Saskatchewan. Cameco operates four mines in Canada and the United States, and has two mines under development in Canada and Central Asia.

FUEL SERVICES

The company is an integrated uranium fuel supplier with refining facilities at Blind River and fuel services facilities (conversion and fuel fabrication) at Port Hope, both located in Ontario, Canada.

The Blind River facility refines uranium concentrates into uranium trioxide (UO_3), an intermediate product in the uranium conversion process. Our Port Hope conversion services plants chemically change the form of the UO_3 to either uranium hexafluoride (UF_6) or uranium dioxide (UO_2). Port Hope has the licensed capacity to produce almost 20% of the world's annual requirements of UF_6 used in making fuel for light water reactors. In 2005, Cameco signed a toll-conversion agreement to acquire UF_6 conversion

services from Springfields Fuels Ltd. (Springfields) in Lancashire, United Kingdom. Under the 10-year agreement, Springfields will annually convert a base quantity of 5 million kgU as UO_3 to UF_6 for Cameco. This arrangement increases our UF_6 conversion capacity by 40%. In addition, Port Hope is the world's only commercial producer of natural UO_2, the fuel used by all Canadian-designed Candu reactors.

During early 2006, Cameco became a nuclear fuel manufacturer by acquiring Zircatec Precision Industries, Inc. (Zircatec) in Port Hope. This company manufactures fuel bundles for use in Candu reactors. With this acquisition, Cameco now covers all stages of the Candu nuclear fuel cycle.

NUCLEAR ELECTRICITY GENERATION

Cameco generates clean electricity through its 31.6% interest in the Bruce Power Limited Partnership (BPLP), which operates the four Bruce B nuclear reactors and manages the overall site located in southern Ontario. Cameco is the fuel procurement manager for uranium, conversion services and fuel fabrication for Bruce Power's four B nuclear reactors. For the Bruce A reactors, Cameco is the fuel procurement manager for conversion services and fuel fabrication. In 2005, through the Bruce Power restructuring, Cameco no longer holds a 31.6% ownership in the four A reactors. Bruce Power's four B reactors have a combined net generation capacity of about 3,200 megawatts (MW), supplying about 17% of Ontario's electricity.

GOLD

Cameco has a 52.7% interest in Centerra Gold Inc.(Centerra), 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 growth-orientated Canadian-based gold producer focused on acquiring, exploring and developing 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.

Growth Strategy

Cameco's goal is to be a dominant nuclear energy company –the supplier, partner, investment and employer of choice in the nuclear industry. Cameco will achieve this goal through four main strategies to:

- maintain our competitive advantage in uranium and conversion,
- maximize growth in uranium markets,
- continue vertical integration, and
- promote growth in the nuclear energy industry.

Our specific strategies in the uranium and fuel services businesses — the company's core businesses – are discussed under the sections "Uranium Strategies" and "Fuel Services Strategies" respectively, in this MD&A.

In pursuing further integration in nuclear fuel supply and expansion in nuclear power generation, our goals are to:

- add significantly to shareholder value, through new opportunities within the nuclear fuel cycle,
- secure projects that have an attractive rate of return and provide a basis for long-term profitability,
- provide fuel supply, engage Cameco's operational and management expertise, and achieve synergies in fuel supply logistics and market position,
- capture the value added to uranium in each step of the fuel cycle, including its enormous energy value in the final generation of electricity,
- strengthen Cameco's foundation for further expansion in the nuclear fuel cycle, and
- ensure each investment has a prudent risk/reward ratio.

The key strategies are to:

- maximize choice by considering acquisition and investment opportunities in all aspects of the nuclear fuel cycle,
- seek opportunities to facilitate change in the nuclear industry by supporting or leading the development, assessment, or licensing of new technology,
- guide and encourage Bruce Power's growth strategy,
- pursue partnering opportunities throughout the nuclear fuel cycle by leveraging fuel-supply relationships, and by enhancing relationships with industry leaders in nuclear technology,
- seek active ownership by structuring each investment to allow management participation and, where possible, operational involvement, and
- seek to maximize nuclear power's contribution to global energy supply through two major strategies to:

- promote industry initiatives to position nuclear power as a major part of the solution in addressing clean air and climate change by providing leadership and resources to key industry associations and by developing government relationships, and
- diversify into related technologies that support nuclear energy development.

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 fuel services businesses.

REACTORS – OPERATING, PLANNED AND UNDER CONSTRUCTION

There are 440 reactors operating worldwide, and a total of 82 new reactors that are under construction or planned for completion within the next 10 years (as of January 2006). This more than offsets 16 anticipated closures for a net increase of 66 reactors during the period. Given that new reactors tend to have higher capacities than older units, this represents 19% growth in nuclear generating capacity.

Highlights include:

- 57 reactors are scheduled to be built in Asia, as energy demand is driven by rapid economic expansion. More than half of this growth will occur in China and India with plans to build 18 and 15 reactors respectively,
- in Russia, Ukraine and several other eastern European countries, it is anticipated that nine reactors will be built, offset by two closures in Bulgaria as a result of their accession to the European Union, for a net gain of seven reactors,
- Finland is building a new European Pressurized Water Reactor (EPR). Upon completion, the country will have five nuclear reactors. France has also announced the construction of the new EPR beginning in 2007, and
- in Canada, Bruce Power has committed to restart the two shutdown A units. The Province of New Brunswick will proceed with refurbishing the Point Lepreau reactor, a 680 MW Candu. The refurbishment is expected to extend the life of the unit by 25 years.

REACTORS – PENDING

A number of non-nuclear countries including Belarus,Italy,Indonesia,Poland,Turkey and Vietnam are considering nuclear programs. Additionally, South Africa is developing a new type of reactor, called the Pebble Bed reactor that, if successful, will be smaller and targeted at regions requiring electricity, but lacking critical distribution and transmission capability.

PLANT PERFORMANCE

CAPACITY FACTORS[1]

More electricity is being generated from existing reactors through life extensions, reactor upgrades and improved performance. World capacity factors averaged approximately 79% in 2005, about the same as 2004. The US nuclear industry generated an estimated 783 billion kWh of electricity in 2005, slightly down from the 2004 record of 789 billion kWh. The average net capacity factor for the US was 89.7% in 2005, just short of 2004's record of 90.5%. A 1% improvement in world capacity factors equates to additional demand for about 1.5 million pounds of uranium concentrates and approximately 0.6 million kgU of conversion services.

SAFETY

There were no significant nuclear safety incidents during 2005 and the industry continues to be one of the safest forms of electricity production.

OPERATING COSTS

In 2004, the latest year for which data is available, the direct costs of US nuclear electricity production was the lowest for baseload (non-hydro) electricity production for the fifth consecutive year. US production costs were 1.68 cents per kWh for nuclear, 1.92 cents for coal, 5.39 cents for oil and 5.87 cents for natural gas.

CAPITAL COST

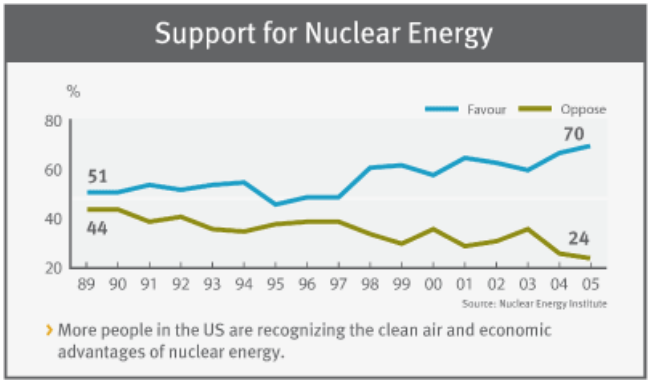
Recognizing the need to continue to be economically competitive with other baseload generation alternatives, the industry is targeting reduced capital costs for new nuclear plant construction.

NUCLEAR ACCEPTANCE

POSITIVE TRENDS

North America

Support for nuclear power in North America is gaining wider acceptance. In the US, a poll conducted by the Nuclear Energy Institute in 2005, showed that 70% of Americans favoured the use of nuclear power. In another poll, 83% of residents living within 16 kilometres of an operating nuclear power plant favoured nuclear energy and 76% were willing to see another reactor built on an existing site near them.



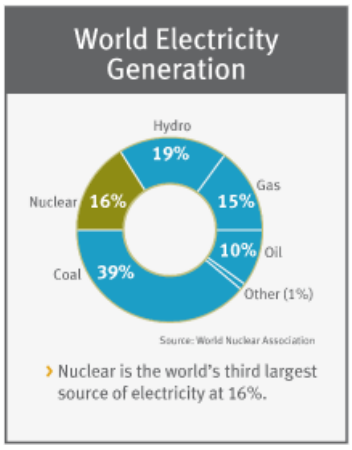
1 Capacity factor for a given period represents the amount of electricity actually produced for sale as a percentage of the amount of electricity the plants are capable of producing for sale.

World Nuclear Reactors

Cameco estimate

	Operating 2006	2015 New	2015 Shutdown	2015 Total Operating	GWe Change	Nuclear Electricity 2004* (%)
Argentina	2	1	0	3	0.7	8
Brazil	2	1	0	3	1.4	3
Canada	18	2	0	20	1.7	15
Mexico	2	0	0	2	0	5
US	103	4	0	107	4.7	20
Americas	**127**	**8**	**0**	**135**	**8.5**	**–**
China	9	18	0	27	17.4	2
India	15	15	0	30	9.0	3
Iran	0	2	0	2	2.0	0
Japan	54	10	1	63	13.3	29
Korea	20	8	0	28	9.6	38
Pakistan	2	2	0	4	0.6	2
Taiwan	6	2	0	8	2.7	21
Asia	**106**	**57**	**1**	**162**	**54.6**	**–**
Belgium	7	0	0	7	0	55
Czech Republic	6	0	0	6	0	31
Finland	4	1	0	5	1.6	27
France	59	1	1	59	1.4	78
Germany	17	0	0	17	0	32
Hungary	4	0	0	4	0	34
Lithuania	1	0	1	0	(1.3)	72
The Netherlands	1	0	0	1	0	4
Romania	1	2	0	3	1.4	10
Slovakia	6	2	2	6	0	55
Slovenia	1	0	0	1	0	38
Spain	9	0	1	8	(0.2)	23
Sweden	10	0	0	10	0	52
Switzerland	5	0	0	5	0	40
UK	23	0	8	15	(2.5)	19
Europe	**154**	**6**	**13**	**147**	**0.4**	**–**
Russia	31	6	0	37	5.8	16
Armenia	1	0	0	1	0	39
Bulgaria	4	2	2	4	1.1	42
Ukraine	15	1	0	16	1.0	51
Russia and Eastern Europe	**51**	**9**	**2**	**58**	**7.9**	**–**
South Africa	2	2	0	4	0.3	7
Total	**440**	**82**	**16**	**506**	**71.7**	**16**

* Source: World Nuclear Association



In Canada, a November 2005 poll showed that support for nuclear power in Ontario had increased to 62% from 48% in February 2005, returning to support levels experienced in previous years. Similarly, support for refurbishing reactors in Ontario was 72%, up from 68%.

US President George Bush signed into law the first national energy policy in more than 10 years. The policy contains provisions that encourage investment in new nuclear reactor construction. Companies constructing new plants will receive financial protection for delays beyond their control for the first six new reactors and a limited production tax credit for the first eight years of operation for the first 6,000 MW of new capacity. Additionally, loan guarantees up to 80% of the project cost are available for non-emitting technologies, including nuclear power plants.

In the US, 10 entities are proceeding with applications for either early site permits (ESP) or a combined construction and operating licence

(COL) for a potential new nuclear power plant. Three ESP applications are currently under review by the US Nuclear Regulatory Commission, one is being developed and six others have indicated

they will go straight to a COL. Several potential sites and reactor types have been identified with the potential for several new reactors to be ordered in the next several years with completion as early as 2014 or 2015.

Licence extensions continue, with a total of 39 US reactors granted 20-year licence extensions, and another 39 reactor operators having applied for or indicating applications are pending for life extensions. This covers more than 75% of the 103 US reactors.

Europe

Reliability of natural gas supply is a critical issue for European consumers. As a result of a dispute over Russian gas supplies to the Ukraine, Europeans are questioning their increasing reliance on Russian gas and are reconsidering nuclear power to diversify energy sources.

The Netherlands has reversed its policy of closing down its only nuclear reactor by 2013 and has granted a 20-year life extension allowing the unit to operate for a total of 60 years until 2033.

The United Kingdom has granted 10-year life extensions to two of its units, allowing operations until 2018. Licence extensions for other units are being pursued. In addition, the prime minister of the UK recently acknowledged that new nuclear construction must be considered in the UK's plans to reduce greenhouse gas emissions and maintain energy diversity.

Several countries including Germany and Sweden are debating the wisdom of their nuclear phase-out policies.

India

The US has announced plans to end nuclear sanctions on India, which would enable the country to buy nuclear fuel as well as civilian reactor technology from the US and possibly other nations. In return, India would have to separate its civilian and military nuclear programs and place its civilian nuclear facilities under the supervision of the International Atomic Energy Agency. The removal of the sanctions could provide an additional market for nuclear fuel suppliers, equivalent to about 9 million pounds U_3O_8 per year by 2020. India currently supplies its 1.2 million pound annual requirements from its domestic uranium mines.

NEGATIVE TRENDS

A number of European countries such as Sweden, Germany and Spain, still have official nuclear power phase-out policies and it remains a political issue in many other countries. Nuclear has been recognized as a non-emitting technology in US energy legislation, but the US does not have greenhouse emission credits or carbon taxes. Other countries have resisted recognizing nuclear power as a non-emitting technology entitled to emission credits.

The first few new nuclear plants may face significant business risks including "first-of-a-kind" costs, construction delays, and political, regulatory and licensing risk.

Although progress is being made in several countries on the management of radioactive waste from the nuclear fuel cycle, it remains a controversial issue. There remains strong opposition to nuclear power among certain members of the environmental community. In the past year, however, a number of prominent environmentalists have strongly endorsed renewed nuclear power plant construction.

SUMMARY OF TRENDS

The nuclear industry is experiencing stable growth through 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 energy in the long term. However, the demand for nuclear power has the potential to grow even more significantly as increasing electricity demand, the need for non-emitting, affordable baseload energy and desires for energy security 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 worldwide.



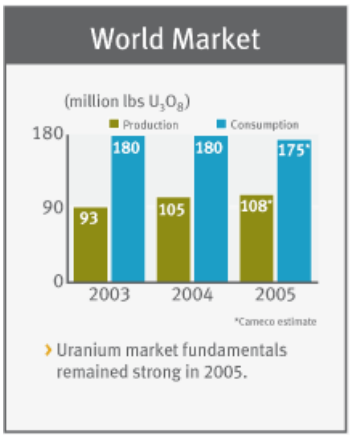


WORLDWIDE URANIUM SUPPLY AND DEMAND

The uranium market supply and demand fundamentals remained strong in 2005, 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 in many cases might be classified as strategic rather than excess and, therefore, are not available to be used or sold.

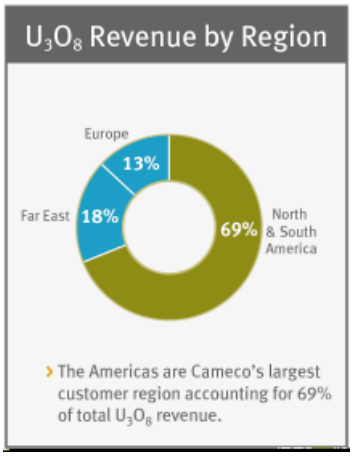
URANIUM DEMAND

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, updates and the extension of reactor lives make it highly likely that, at a minimum, the current demand for uranium will continue for several decades.



World uranium consumption totalled about 175 million pounds in 2005. Cameco estimates that annual world uranium consumption will reach 217 million pounds in 2015 reflecting an annual growth rate of about 2%. In 2006, world demand is expected to increase to about 176 million pounds.

Growth in demand could be tempered somewhat as uranium price increases encourage utilities to order more enrichment services. Uranium demand is affected by the



enrichment process, which is one of the steps in making most nuclear fuel. Utilities choose the amount of uranium and enrichment services they will use depending on the price of each. In essence, utilities may substitute enrichment for uranium, thereby decreasing the demand for uranium and increasing the demand for enrichment. For example, when uranium prices rise, utilities tend to use more enrichment assuming enrichment prices remain constant. Of course, if enrichment prices increased, utilities would likely use less enrichment and more uranium. The tails assay (percentage of uranium left after processing) is an indication of the mix of uranium and enrichment used. The lower the tails assay, the less uranium being used.

For example, if world utilities choose to decrease tails assay by 0.01%, this would decrease annual uranium requirements by 2% or about 4 million pounds of uranium per year and increase the demand for enrichment services by 2%. The decrease in uranium consumption to 175 million pounds in 2005 was due primarily to lower tails assay, offset somewhat by new reactors coming online. It is important to note that there is a limit to the enrichment capacity that is currently available. In addition, enrichment contracts generally limit the ability to substitute enrichment for uranium.

In 2005, four reactors were connected to the electricity grid, two in Japan, one in India, and a refurbished reactor restarted in Canada. Three of these units entered commercial operation in 2005, and the other is expected to enter commercial operation in the first quarter of 2006. There were two reactor closures in 2005, both as a result of nuclear phase-outs, one in Germany and one in Sweden. The net result was a 2,570 MW increase in nuclear capacity.

URANIUM SUPPLY

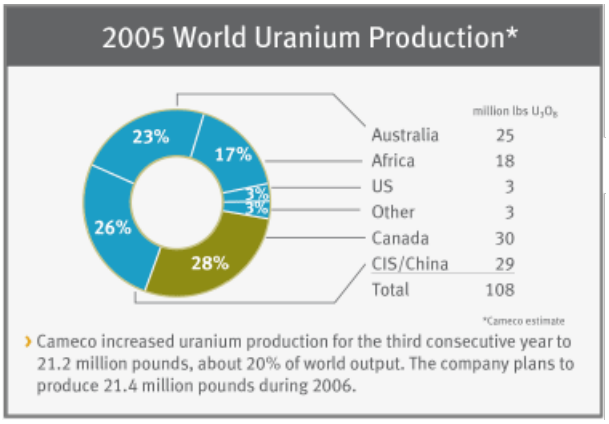
World uranium supply comes from primary mine production and a number of secondary sources.

Mine Production

World production in 2005 was estimated at about 108 million pounds U 3O8, up 3% from 105 million pounds in 2004, largely as a result of incremental increases in production at existing mines. World production is expected to increase to 110 million pounds in 2006.

It is expected that with higher uranium prices, new mines will startup, but the lead-time before they enter commercial production may be lengthy depending on the region. As a result, primary supply cannot significantly increase in the near-term. The level of increase in primary mine production is dependent on a number of factors, including:

- the strength of uranium prices,
- the efficiency of regulatory regimes in various regions,
- currency exchange rates in producer countries compared to the US dollar, and
- prices for other mineral commodities produced in association with uranium (i.e. by product or co-product producers).



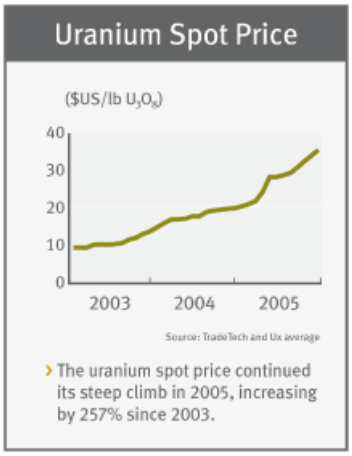
Secondary Sources

Secondary sources of supply consist of surplus US and Russian military materials, excess commercial 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 10% of world requirements over the next 10 years. With the exception of recycled material, secondary supplies are finite. Currently, most recycled products are 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,

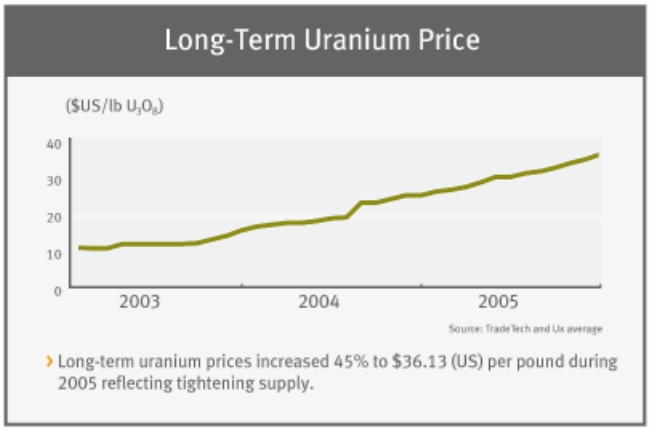
additional supplies of uranium have been available to the market. Under the 20-year agreement, weapons-grade HEU is blended down in Russia to low enriched uranium (LEU) capable of being used in western world nuclear power plants. Uranium derived from Russian HEU could meet 10% of world demand over the next 10 years based on the current Russian HEU commercial agreement. In parallel, the US has made some of its military inventories available to the market, albeit in quantities much smaller than those derived from the Russian HEU agreement.



Historically, the other large source of secondary supply has been the use of 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 by a wide margin and the company believes that most of these excess inventories have been consumed. In fact, in 2005 there was evidence of this trend starting to reverse, with some utilities purchasing uranium to build strategic inventories.

With 2005 uranium production about 60% of uranium requirements, secondary supplies — such as recycling and blended down HEU — continue to bridge the gap between production and requirements and this is expected to continue in the near future.



URANIUM MARKETS

Utilities secure most of their uranium requirements (80% to 90% in recent years) by entering into long-term contracts with uranium suppliers. These contracts usually provide for deliveries to begin up to four 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 fixed 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 purchases from producers and traders. Spot market purchases are those that call for delivery within one year. Traders and investors or hedge funds are active in the market and generally source their uranium from organizations holding excess inventory, including utilities, producers and governments.

URANIUM SPOT MARKET

The industry average spot price (TradeTech and Ux) on December 31, 2005 was $36.38 (US) per pound U 3O8, up 77% from $20.60 (US) at the end of 2004. Spot market volume totalled approximately 35 million pounds in 2005, compared to about 20 million pounds for 2004.

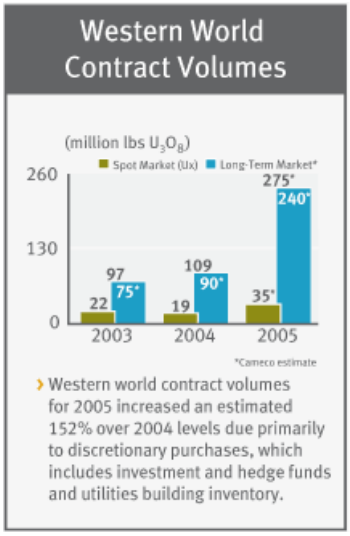
Discretionary purchases, or purchases not for immediate consumption, accounted for about two-thirds of the 2005 spot volume — with about 25% of total purchases attributable to investment and hedge funds. The large gap between spot and long-term prices early in 2005 resulted in a number of buyers building inventory through discretionary spot purchases. The increase in 2005 spot market volumes is largely attributable to these discretionary purchases.


the
truth
will set
free

LONG-TERM URANIUM MARKET

Long-term contracting in 2005 is estimated to have been in excess of 240 million pounds U 3O8, more than two and a half times the 90 million pounds contracted in 2004. Contracts written in 2005 were generally for much longer durations than in the recent past — up to 10 years in comparison to three-to-five years, resulting in higher volumes of U3O8 under contract.

The industry average long-term price (TradeTech and Ux) on December 31, 2005 was $36.13 (US) per pound U 3O8, up 45% from $25.00 (US) at the end of 2004.



We expect long-term contracting activity in 2006 will remain quite strong as utilities attempt to mitigate the risk of potential future supply shortfalls by securing long-term contracts with reliable primary suppliers. Currently we estimate that more than 150 million pounds will be contracted in the long-term market in 2006.

URANIUM BUSINESS – KEY PERFORMANCE DRIVERS

The major factors that drive Cameco's uranium 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

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 escalated by an inflation index.

Uranium Market Review

Year-end prices ($US/lb U3O8) Market*	2005	2004	% change
Spot uranium	36.38	20.60	77
Long-term uranium	36.13	25.00	45

* TradeTech and Ux average.

Uranium market price indicators are quoted by the industry in US dollars per pound U 3O8.

Uranium contract terms generally reflect market conditions at the time the contract is negotiated. After a contract negotiation is completed, deliveries under that contract typically do not begin for up to four years. As a result, many of the contracts in our current portfolio, particularly those signed prior to 2005, reflect market conditions when uranium prices were significantly lower. For example, 2003 was the first year that the spot price averaged over $11.00 (US) since the 1995-1997 period. Before that they were much lower, and only exceeded $11.00 (US) on a sustained basis in 1988 and earlier. To the extent contracts have fixed or low ceiling prices, they will yield prices lower than current market prices.

As a result, Cameco's average realized price for uranium sales was $15.45 (US) per pound of uranium compared to an average spot price of $28.67 (US) and average long-term price of $30.66 (US). In 2005, the benefit of improved spot prices was also partially offset by a less favourable foreign exchange rate. Our average realized selling price rose by 20% in US dollars but only 12% in Canadian dollars over 2004.

As in previous years, we are continually in the market signing new contracts with deliveries beginning one to four years in the future. Generally, Cameco continues to maintain the target portfolio mix of 40% fixed prices (escalated by inflation) and 60% market-related prices, and recently, is

obtaining floor prices that escalate over time. In the current market environment of rapidly increasing uranium prices, this strategy has allowed Cameco to add increasingly favourable contracts to its portfolio while maintaining sensitivity to future price movements.

Uranium Price Sensitivity 2006

For deliveries in 2006, a $1.00 (US) per pound change in the uranium spot price from $33.00 (US) per pound would change revenue by about $4 million (Cdn) and net earnings by $2 million (Cdn). This sensitivity, which accounts for our currency hedge program

(discussed in this MD&A under “Foreign Exchange”), is based on an expected effective exchange rate of $1.00 (US) being equivalent to about $1.22 (Cdn).

Uranium Price Sensitivity Analysis 2006 to 2008

The table below shows an indicative range of average prices that Cameco would expect to realize under the current sales portfolio. The prices shown in the table are intended to show how various market price scenarios may impact Cameco’s uranium revenue. This analysis makes a number of assumptions that are included as table footnotes.

As shown in the $35.00 (US) spot price scenario, Cameco would expect to realize an average price of $28.25 (US), or about 81% of the spot price, by 2008 if prices remain at or close to $35.00 (US). If spot prices rose to $45.00 (US), Cameco would expect to realize an average price of $32.75 (US), or about 73% of the spot price, by 2008. On the other hand, if prices fell to $25.00 (US), Cameco would expect to realize an average price of $23.50 (US), or about 94% of the spot price, by 2008.

Cameco’s Expected Average Realized Uranium Price

(In brackets, expressed as a % of spot price)
Current $US/lb U_3O_8

Spot Price	2006		2007		2008	
$25	$ 18.25	(73%)	$ 19.75	(79%)	$ 23.50	(94%)
$35	$ 19.25	(55%)	$ 22.75	(65%)	$ 28.25	(81%)
$45	$ 20.50	(46%)	$ 25.75	(57%)	$ 32.75	(73%)

Key Assumptions:

- 2006 uranium sales volumes of about 35 million pounds U_3O_8 and similar sales volumes for 2007 and 2008,
- sales volume estimates assume no interruption in the company’s supply from its own production or from third parties,
- 2006 sales volumes are fully committed, 2007 sales volumes are almost all committed and 2008 is less committed,
- all uncommitted volumes are assumed to be delivered at the prevailing spot price,
- the long-term price in a given year is assumed to be equal to the average spot price for that year,
- all other price indicators are assumed to trend toward the spot price, and
- the annual inflation rate is equal to 2.5%.

Uranium Production

Cameco’s share of production
(million lbs U_3O_8)

	2006 Planned	2005 Actual	2004 Actual
McArthur River/Key Lake	13.1	13.1	13.1
Rabbit Lake	5.9	6.0	5.4
Smith Ranch-Highland	1.6	1.3	1.2
Crow Butte	0.8	0.8	0.8
Total	**21.4**	**21.2**	**20.5**

VOLUME – SALES, PRODUCTION AND PURCHASES

Sales Volume

In 2005, Cameco sold 34.2 million pounds of uranium, representing a 6% increase from 2004 sales of 32.3 million pounds. The higher sales volumes were in response to strong market demand. Cameco’s uranium sales volumes are expected to total more than 35 million pounds in 2006 with similar levels for 2007 and 2008.

Cameco sells more uranium than it produces from its mines and meets its contractual delivery commitments through a combination of mine production, long-term purchase arrangements, spot purchases and inventory.

Uranium Operations

McArthur River/Key Lake

Production at McArthur River/Key Lake reached the licensed annual production capacity limit of 18.7 million pounds in 2005, identical to 2004 levels. Cameco’s share was 70% or 13.1 million pounds.

The collective agreement for unionized employees at the McArthur River and Key Lake operations expired on December 31, 2005. Cameco has entered into negotiations with representatives of the United Steelworkers of America.

We have applied for an increase in the annual licensed capacity at McArthur River and Key Lake to 22 million pounds U_3O_8 per year from the current 18.7 million pounds. The Canadian Nuclear Safety Commission (CNSC) is considering the appropriate process to complete its review of the potential impacts associated with this proposed expansion. Once the process is determined, we will be in a better position to estimate the time required for a decision. If approval is received, we expect it will take about two years to ramp-up production to a sustained planned production rate of approximately 21 million pounds per year. This production rate may change as we gain experience in ramping up production at this operation.

Production at McArthur River/Key Lake in 2006 is expected to remain at the same level as 2005. Production would increase modestly if the

CNSC approves the capacity increases at these facilities in 2006.

Refer to the section titled “Uranium Exploration” in this MD&A for information on exploration programs near McArthur River.

Rabbit Lake

Rabbit Lake produced 6.0 million pounds U_3O_8 in 2005, an 11% increase from 2004. The additional production resulted from a significant increase in milled tonnage. Rabbit Lake production is expected to decline slightly to 5.9 million pounds U_3O_8 in 2006.

Work continues on the environmental assessment (EA) to process a little over half of the uranium from Cigar Lake ore at the Rabbit Lake mill beginning in 2009. Guidelines that define the scope of the EA were approved by the province in November 2005 and were approved by the CNSC with minor modifications in December 2005.

Refer to the section titled “Uranium Exploration” in this MD&A for information on exploration programs near Rabbit Lake.

Smith Ranch-Highland and Crow Butte

The Smith Ranch-Highland (Wyoming) and Crow Butte (Nebraska) in situ leach (ISL) mines produced a total of 2.1 million pounds of U_3O_8 in 2005. Production is expected to increase 14% in 2006 to 2.4 million pounds. We are in the process of increasing production from the Smith Ranch mine over the next several years to help meet the need for new uranium supply.

Uranium Projects

Cigar Lake

Construction began on January 1, 2005 and remains on schedule for completion and commencement of operations in the first half of 2007, subject to regulatory approval and securing skilled tradespeople. Once production begins, 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%.

The capital costs for the Cigar Lake project are currently forecast at $520 million. Our share is 50% or $260 million. The permanent access road was connected to Saskatchewan provincial road 905 in November 2005 and is currently being utilized for material transport. The final grading of the road is planned for 2006. The development of the second shaft is approximately 85% complete and development of the underground workings is approximately 55% complete.

Inkai

The ISL test mine at Inkai in Kazakhstan produced 0.5 million pounds of uranium in 2005 (Cameco’s share is 60%). Approval was received in the third quarter of 2005 to increase the test mine’s capacity to 0.8 million pounds U_3O_8. Planned production for 2006 is 0.65 million pounds U_3O_8. Construction to facilitate this increase is expected to be complete in the first quarter of 2006.

The regulatory authorities have approved the EA and design plan for the commercial processing facility to be located in another area at Inkai, called block 1. Initial civil work at the main processing plant and well field drilling has begun. Commercial operation is scheduled for 2007. The costs, net of sales proceeds from Inkai test mine production, are being capitalized until commercial production is achieved. We expect Inkai to ramp-up to full production of 5.2 million pounds U_3O_8 per year by 2010.

The capitalized cost to bring the new ISL mine to commercial production is estimated at $92 million (US), up about 10% due primarily to inflation. Subject to executing formal amendments, Cameco has agreed in principle to increase its loan to the Joint Venture Inkai from $40 million (US) to a maximum of $100 million (US). We also agreed to reduce our financing fee from an effective 10% interest rate to one based on the three-month London inter bank offered rate (LIBOR) plus 2% (equal to 6.54% using the December 31, 2005 LIBOR rate). The earlier loan amount was based on constructing a smaller plant with an annual production capacity of 2.6 million pounds annually. Repayment of the loan will begin when the mine achieves commercial production. Legal work continues on formalizing these amendments.

Purchase Volumes

Cameco also has purchase commitments for uranium products and services from various sources. Most of these purchase commitments are in the form of UF_6. At the end of 2005, these purchase commitments totalled 59 million pounds uranium equivalent from 2006 to 2013. Of this, 54 million pounds are 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 about one-third attributable to 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 24% 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 where ore grades are 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 2006, 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. Most 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 $661 million (US) at December 31, 2005. Refer to note 21 in the notes 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 financial results of the uranium business as well as the conversion services business. For that reason, the effect on both businesses will be discussed in this section.

Cameco sells most of its uranium and conversion services in US dollars while most of its uranium and conversion services are produced in Canada. As such, these revenues are denominated mostly in US dollars, while production costs are denominated primarily in Canadian dollars.

During 2005, the Canadian dollar strengthened against the US dollar from $1.20 at December 31, 2004 to $1.17 at December 31, 2005.

We attempt to provide some protection against exchange rate fluctuations by planned currency hedging activity designed to smooth volatility. Therefore, our 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 this protection, the influence on earnings from purchased material in inventory is likely to be dispersed over several fiscal periods and is more difficult to identify.

At each balance sheet date, Cameco calculates the mark-to-market value of all foreign exchange contracts with that value representing the gain or loss that would have occurred if the contracts had been closed at that point in time. We account for foreign exchange contracts that meet certain defined criteria (specified by generally accepted accounting principles) using hedge accounting. Under hedge accounting, mark-to-market gains or losses are included in earnings only at the point in time that the contract is designated for use. In all other circumstances mark-to-market gains or losses are reported in earnings as they occur.

At December 31, 2005, we had foreign currency contracts of $1,112 million (US) and €32 million that were accounted for using hedge accounting, and foreign currency contracts of $20 million (US) that did not meet the criteria for hedge accounting. The foreign currency contracts are scheduled for use as follows:

	2006	2007	2008	2009
$ millions (US)	467	370	195	100
€ millions	9	11	7	5

These contracts have an average effective exchange rate of $1.25 (Cdn) per $1.00 (US), which reflects the original spot prices at the time contracts were entered into and includes deferred revenue. At December 31, 2005, the mark-to-market value on all foreign exchange contracts was $37 million.

Timing differences between the maturity dates and designation dates on previously closed hedge contracts may result in deferred revenue or deferred charges. At December 31, 2005, deferred revenue totalled $26 million. The schedule for deferred revenue to be released to earnings, by year, is as follows:

Deferred revenue (loss)	2006	2007	2008	2009
$ millions (Cdn)	29	3	(6)	–

In 2005, most of the net inflows of US dollars were hedged with currency derivatives. Net inflows represent uranium and conversion sales less outlays denominated in US dollars. For the uranium and conversion services businesses in 2005, the effective exchange rate, after allowing for hedging, was about $1.30 compared to $1.39 in 2004. Results from the gold business are translated into Canadian dollars at prevailing exchange rates.

For 2006, every one-cent change in the US to Canadian dollar exchange rate would change net earnings by about $4 million (Cdn).

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:

- remain the low-cost producer,
- protect and expand our market position, and
- maintain supply flexibility.

There are a number of key strategies the company uses to achieve its goals. We strive to maintain our low-cost position by adding economically attractive reserves and improving our margins. We look to expand our low-cost reserves through acquisition, exploration around existing operations and by identifying geological regions that will provide the next tier of low-cost production.

We improve our margins by optimizing 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.

We seek to protect and grow market position by acquisition, seeking to accelerate production from existing operations, and participating in new uranium opportunities at exploration and development stages.

To maintain our supply flexibility, we are building a geographically diverse production base. This includes accelerating the production at Inkai, bringing Cigar Lake into production, and continuing to pursue a global exploration program. This program identifies the most prospective regions and maximizes options to access and/or control land positions for future business advantage. To ensure we have adequate production, we identify the optimal resource mix (i.e. different types of deposits such as unconformity versus in situ leach), and replace reserves through exploration and acquisition.

Given Cameco's leadership role in the uranium market, the company wants to successfully maximize uranium market growth. Our goals in this regard are to:

- protect and expand market position,
- optimize price realization over time, and
- improve supply flexibility.

To grow our market position, we build on our customer relationships and expand the range of services available to customers while maintaining the company's reputation as a reliable supplier. In addition, we maintain participation in secondary supplies including, enhancing our relationship with Russia, influencing the timing of sales of secondary supplies to the market, and using market intelligence to achieve early notice of new supply sources.

A key element for Cameco is our contracting strategy, which is influenced by the supply and demand outlook for uranium. Since mid-2003, the supply side has experienced significant impacts that caused uranium prices to rise rapidly. This upward trend has been due, in large part, to the realization by market participants that excess secondary supplies will not contribute as much to future uranium supply as they had previously expected. Consequently, a greater volume of new primary mine production will be needed.

The rise in prices has triggered predictable supply side responses. The most notable is the increase in companies exploring for new uranium deposits and the construction of new mines and the proposed expansion of existing ones. However, given the low prices of the last two decades, very little exploration was undertaken on a global basis, and relatively little investment was made in advancing new uranium projects. Producers were operating at close to full capacity to minimize unit costs. Undeveloped deposits, identified in previous exploration cycles, were mostly uneconomic or located in jurisdictions with political challenges. With higher prices, existing projects and newly discovered deposits will be developed, but the lead time before they enter commercial production may be lengthy depending on the region. Consequently, the primary supply industry cannot significantly increase supply in the near-term.

Future market prices will depend on a number of supply and demand factors, the more notable ones being:

- additional production from the successful expansion of existing production, startup of mines currently under construction and development of existing deposits yet to be developed,
- the success of exploration programs in identifying new commercial uranium deposits that can be developed in a reasonable period of time,
- the exchange rate in various producer country currencies relative to the US dollar,
- the timing and extent of expansion of uranium produced as a byproduct or co-product of other commodities, particularly in Australia and South Africa,
- availability of existing and possible new secondary materials, such as blended down uranium from military stock including dismantled weapons,
- the extent enrichment services are substituted for natural uranium feed, and
- the growth rate of nuclear power.

Our goal in uranium contracting is to secure contracts that will maximize our realized price, support our ongoing operations and fund new mine developments over the long term. Given the uncertainty surrounding the foregoing supply/demand factors and the impact on price, we believe it is prudent to continue to target a 40/60 mix of market-related and fixed price mechanisms. As market conditions change, we may adjust this ratio. The overall strategy will continue to focus on achieving longer duration contracts. Today, new contracts tend to reflect contract terms of up to 10 years or more. Current market-related contracts contain floor prices (at about 80% of the spot price prevailing at the time of contract negotiation) which provide significant downside protection and no or very high ceiling prices.

In the current market environment of rapidly increasing uranium prices, this strategy has allowed Cameco to add increasingly favourable contracts to its portfolio while maintaining sensitivity to future price movements. Cameco believes its current contracting strategy will provide solid value for shareholders over the long term.

CAPABILITY TO DELIVER RESULTS

Cameco will continue to enhance its capabilities in a number of areas to execute our strategies and deliver on our goals. We need to ensure that:

- other mining methods and other technologies continue to be advanced to allow us to maintain or expand our annual production,
- timely regulatory approval is secured under an increasingly stringent regulatory regime,
- skilled tradespeople 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 only raise boring to extract ore from the mine. As we expected from the start of mining, other mining methods will be used to maintain or expand production. In 2005, we determined that the boxhole boring method would be better suited for the upper zone #4 at McArthur River, because it would allow development from a preferred location. Production from this zone is scheduled to begin in 2012.

Until Cameco has fully developed and tested the boxhole boring method, there is uncertainty in the estimated productivity. Cameco plans to develop and test the boxhole boring method over the next four years, beginning in 2006. We do not expect this change to significantly impact our long-term uranium production plans at McArthur River.

At Cigar Lake, we plan to use the jet boring method, which has been examined through extensive test mining programs. Overall, the test mine programs were considered highly successful with all initial objectives fulfilled. However, as the jet boring mining method is new to the uranium mining industry, the potential for technical challenges exist. We are confident that our engineers will be able to solve the challenges that may arise during the initial ramp-up period.

REGULATORY APPROVAL

Cameco's growth plans depend on regulatory approvals such as environmental assessments, and obtaining construction licences and operating licences in various jurisdictions including Canada, Kazakhstan, and the US. The timing for approvals can be impacted by various factors such as, the regulator's assessment of current performance, the comprehensiveness of the documentation submitted to support the application, assessment of the significance of any anticipated incremental impacts, the number of industry approval applications being assessed at any given time by the regulator, and other factors.

Cameco expends significant financial and managerial resources to comply with laws and regulations. We seek to find solutions that best respond to regulatory concerns.

SKILLED TRADESPEOPLE

Cameco has significant experience in developing uranium mines. One of the biggest challenges in meeting our Cigar Lake construction timetable is securing skilled tradespeople. This shortage of qualified people also affects our other operations. Cameco is examining various options to accelerate our extensive apprenticeship programs.

Uranium Business Highlights

	2005	2004	% change
Revenue ($ millions)	690	581	19
Gross profit ($ millions)	159	104	53
Gross profit %	23	18	28
Earnings before taxes ($ millions)*	130	91	43
Average realized price			
$US/lb U_3O_8	15.45	12.89	20
$Cdn/lb U_3O_8	20.14	17.97	12
Sales volume (million lbs U_3O_8)	34.2	32.3	6
Production volume (million lbs U_3O_8)	21.2	20.5	3

* Excludes the gain from sale of Energy Resources of Australia Ltd shares.

HUMAN RESOURCES

Cameco's workforce reflects the global demographics where a large part of the eligible workforce is nearing legal retirement. Approximately 25% of the workforce at our Saskatchewan uranium mines was age 50 or older at December 31, 2005. Cameco's challenge is to compete for the limited number of people entering the workforce to replace retiring employees. We have developed a strategy to meet the 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 continues to pursue 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.

Cameco retained an exploration program and its expertise during the depressed market. As uranium prices have risen we have increased our investment in exploration to achieve our goal of expanding our reserve base to grow our uranium market leadership position.

We plan to invest about $32 million in uranium exploration during 2006. This is up 25% compared to the $25.7 million invested in 2005.

For more information on our exploration activities, see the section titled "Uranium Exploration" in this MD&A.

Uranium Exploration

Area	Hectares at Dec. 31, 2005	2005 Actual Expenditures ($ millions)
Canada	610,000	18.1
Australia	2,092,000	7.3
Other regions	547,000	0.3
Total	**3,249,000**	**25.7**

URANIUM BUSINESS RESULTS

Cameco's uranium business consists of the McArthur River, Key Lake and Rabbit Lake mine and 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 2005, we established a new record for uranium revenue for the fourth consecutive year. Revenue from the uranium business increased by 19% to $690 million in 2005 due to a higher realized selling price, which rose 12% in Canadian dollar terms (20% in US dollars) over 2004. The increase in the average realized price was mainly the result of higher prices under fixed-price contracts and a higher uranium spot price, which averaged $28.67 (US) per pound in 2005 compared to $18.60 (US) in 2004. A 6% increase in sales volume also contributed to higher revenue in 2005.

COST OF PRODUCTS AND SERVICES SOLD

For 2005, the cost of products and services sold was $429 million compared to $378 million in 2004, reflecting the 6% increase in sales volume. On a per unit basis, the cost of product sold was about 7% higher than in the previous year due primarily to higher costs for purchased uranium.

DEPRECIATION, DEPLETION AND RECLAMATION

In 2005, depreciation, depletion and reclamation (DD&R) charges were $102 million compared to $100 million in 2004, due to the higher sales volume. On a per unit basis, DD&R costs were similar to those of 2004.

GROSS PROFIT

In 2005, our gross profit from the uranium business amounted to $159 million compared to $104 million in 2004, an increase of 53%. This was attributable to the increase in the realized price for uranium and was partially offset by higher unit costs for purchased uranium. Our earnings before taxes from the uranium business improved to $130 million from $91 million last year, while the profit margin rose to 23% from 18% in 2004 again due to the higher realized selling price.

2006 OUTLOOK FOR URANIUM

In 2006, we expect uranium revenue to be 20% higher than in 2005 due to a projected 16% improvement in the expected realized selling price (in Canadian dollars) and a 4% increase in deliveries. Uranium sales volume is expected to total more than 35 million pounds in 2006. Cameco's share of uranium production for 2006 is projected to increase slightly to 21.4 million pounds of U_3O_8 from 21.2 million in 2005. Uranium margins are expected to improve to about 29% compared to 23% in 2005.

The financial results outlook for the uranium business segment is based on the following key assumptions:

- no significant changes in our estimates for sales volumes, costs, and prices,
- no disruption of supply from our mines or third-party sources, and
- a US/Canadian spot exchange rate of $1.16.

URANIUM 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. Subsidiary land positions are also held in the US and Canada.

Cameco owns a range of participating interests in its exploration lands, and either owns or has the right to earn a majority interest in most of the company's projects. At year-end 2005, Cameco operated approximately 75% 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. The nature of mineral exploration is such that discovery of economic deposits on new projects is uncertain and can take many years.

In 2005, 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, the underground diamond-drilling reserve replacement program was again successful in 2005. Over 75 kilometres of drilling was completed, contributing to a net increase of 2.8 million pounds U_3O_8 in reserves and 7.2 million pounds U_3O_8 in resources after accounting for the 2005 mine production. With further definition and test-hole drilling in 2006, we expect to extend the mine life of Rabbit Lake. Production mining of two zones discovered from the reserve replacement program will be under way in the first quarter. More than four kilometers of underground lateral development were completed in 2005, with most of the development focused on these two zones.

Continued exploration at the north end of the existing McArthur River deposit has outlined significant new results that have the potential to further expand resources with ongoing exploration drilling. We are conducting additional confirmatory drilling from surface in 2006.

Winter and summer drilling programs on another advanced exploration project, the Cree Extension project, has increased indicated resources in pounds U_3O_8 by 32% at the Millennium deposit, initially discovered in 2000. The Cree Extension Joint Venture will undertake a pre-feasibility study on Millennium during 2006. Positive 2005 results on the Collins Creek zone, part of the Dawn Lake Joint Venture, will also be followed up in 2006, while a pre-feasibility study carried out on the small Dawn Lake deposit itself found development to be uneconomic at this time.

Since the recovery of the world uranium market, and corresponding higher prices for uranium, the competitive environment for uranium exploration has changed. There are more than 300 uranium exploration companies listed on stock exchanges and most of these are actively funding new exploration programs in Canada and other regions. In the newly active sector, Cameco maintains an ongoing dialogue with numerous companies, with the objective of positioning the company for future participation in areas with promising results, and leveraging Cameco's recognized position in the sustainable development of uranium resources worldwide. Cameco's approach to future resource replacement is to combine its own exploration activities with partnerships, joint ventures, or equity holdings in other companies with assets that meet the company's investment criteria.

At December 31, 2005, Cameco owned a 21.7% 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. Cameco has, as long as it maintains a 20% or higher interest in UEX, certain rights related to financing, and marketing production from future uranium deposits. As well, Cameco has the right to mill uranium produced from properties it contributed to UEX at the time of its formation in 2002. In February 2006, Cameco participated in a private placement financing for UEX on a pro rata basis with its equity interest. This participation involved the purchase of 2,222,600 common shares of UEX at a price of $5.00 per share, and leaves Cameco's interest in UEX unchanged at 21.7%.



Fuel Services Business



In 2006, the Blind River refinery will utilize unused production capacity when it begins shipping UO_3 to Springfields, UK, for toll conversion to UF_6.

In 2005, Cameco's fuel services business consisted of refining and conversion services. Refining is an intermediate step to prepare uranium to be converted into either UF_6 or UO_2. As of 2006, this business also includes fuel fabrication services for Candu-type reactors as a result of our acquisition of Zircatec. See the following discussion under "Fuel Fabrication."

The industry practice for measuring conversion services is kilograms of uranium (kgU) rather than pounds of U_3O_8. For example, 66 million kgU is equivalent to about 172 million pounds U_3O_8.

CONVERSION DEMAND

World demand for UF_6 and natural UO_2 conversion services was estimated to be about 66 million kilograms of uranium (kgU) in 2005. Western world demand accounted for almost 58 million kgU with the remaining 8 million kgU coming from the non-western world (Russia, China and eastern Europe).

Over the next 10 years, world demand is expected to increase by 27% to about 84 million kgU. In 2006, total world conversion demand is expected to increase by 1%.

CONVERSION SUPPLY

The western world UF_6 conversion industry consists of Cameco and three other significant producers, with an annual conversion capacity of about 47 million kgU. In 2005, Cameco signed a toll-conversion agreement to acquire UF_6 conversion services from one of these other converters, Springfields in Lancashire, United Kingdom. Under the 10-year agreement, Springfields will annually convert a base quantity of 5 million kgU to UF_6 for Cameco. This new source, coupled with our Canadian UF_6 plant, will account for almost 40% of the western world capacity.

In addition, supplies are available from secondary sources including excess western inventories, Russian sales in the form of low enriched uranium, Russian re-enriched depleted tails, 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 about 90% of their UF_6 conversion services through 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. In addition to the Canadian requirements 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 Cameco also sells conversion services packaged with U_3O_8 as a UF_6 or UO_2 product.

SPOT/LONG-TERM CONVERSION MARKET

Spot market UF_6 conversion prices remained strong during 2005. Spot prices increased 28% for North American conversion services and 15% for European conversion services year-over-year. Outlined below are the industry average spot market prices (Trade Tech and Ux) for North American and European conversion services.

The industry average long-term prices (TradeTech and Ux) for North American and European conversion services are reported below. Long-term prices increased 20% for North American conversion services and 12% for European conversion services year-over-year. The industry does not publish UO_2 prices.

Spot Conversion Market Review

Year-end prices ($US/kgU as UF_6) Markets	2005	2004	% change
Spot UF_6 conversion[1]			
North America	11.50	9.00	28
Europe	11.50	10.00	15
Long-term UF_6 conversion[1,2]			
North America	12.00	10.00	20
Europe	12.88	11.50	12

1 Prices are industry averages.

2 TradeTech only for 2004 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 long-term contracts. Conversion services are priced in US dollars per kgU. The majority of conversion sales are at fixed prices adjusted for inflation. In 2005, most of our conversion sales were made under long-term contracts negotiated in a low price environment and therefore, we did not benefit from the increase in UF_6 conversion spot prices during the year.



Going forward, the majority of our contract commitments, totalling more than 75 million kgU over more than 10 years, are at fixed prices adjusted for inflation.

We continue to sign new long-term contracts with fixed prices that generally reflect long term prices at the time of the contract award. Like

uranium sales, we begin delivery of conversion services up to four years after the agreement has finalized. Therefore, in the coming years, Cameco's contract portfolio will benefit from higher fixed-price contracts signed.

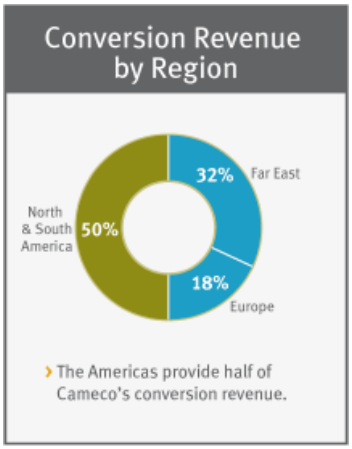
VOLUMES — SALES, PRODUCTION, PURCHASES

Sales Volume

Cameco sold 16.6 million kgU of conversion services in 2005, down marginally from the record 16.9 million kgU in 2004. We expect conversion sales volume to total about 19.0 million kgU in 2006, up 14% from 2005.

Production Volume

Total production at our Port Hope conversion facility for 2005 was 11.4 million kgU, up 21% from 9.5 million kgU for 2004, which mainly reflects the impact of a seven week labour disruption in 2004. Production in 2005 was about 17% lower than we planned due to problems in fluorine generation. This was compounded by a difficult restart of the UF_6 plant after our regular maintenance shutdown, which primarily resulted from the hot and humid weather experienced during the summer months when the restart occurred. Our planned production for 2006, is projected to be about 14.2 million kgU, up 25% from 2005.



At our Blind River refinery, unused capacity was utilized to supply UO_3 for the Springfields UF_6 toll-conversion agreement announced last year. A record 15.1 million kgU as UO_3 was produced up 44% from 10.5 million kgU in 2004. In 2006, we expect the Blind River refinery to produce 18.0 million kgU as UO_3 to feed both Port Hope and Springfields conversion facilities. The 18.0 million kgU represents a 19% increase over 2005 UO_3 production and equals the current licensed capacity of the plant.

We have filed a proposal with the CNSC to increase the production capacity of the Blind River refinery to 24 million kgU per year from 18 million. This increase will require an environmental assessment and regulatory approval. Cameco expects to complete the environmental assessment in 2006. Once regulatory approval is received, relatively minor plant modifications will be required to achieve the increased capacity.

Purchase Volume

Cameco also has purchase commitments, which primarily reflect the conversion component of the low enriched uranium (LEU) from Russian HEU, re-enriched tails product and the company's agreement to purchase Springfield's conversion services for a 10-year period beginning in 2006. Cameco's UF_6conversion purchase commitments at December 31, 2005 total about 73 million kgU, most as conversion services.

COSTS

Cameco's mix of production and purchases influences its cost of sales. Conversion operating costs are primarily fixed with about 45% attributable to 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 current spot prices. These purchase commitments totalled $395 million (US) at December 31, 2005. Refer to note 21 in the notes to consolidated financial statements. A significant portion of these purchases has been committed under existing sales contracts.

FOREIGN EXCHANGE

The majority of the company's conversion services 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 2005 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."

FUEL FABRICATION

Cameco acquired a 100% interest in Zircatec in early 2006 for $108 million subject to closing adjustments. Zircatec's primary business is manufacturing nuclear fuel bundles for sale to companies that generate electricity from Candu reactors.

This acquisition is expected to be moderately accretive to cash flow and earnings in 2006, assuming there is no significant change to existing revenue and costs.

In Port Hope, Ontario, Zircatec operates a facility that is licensed to handle uranium materials. As a service to utility customers, the plant presses uranium dioxide powder into pellets that are loaded into tubes and then assembled into fuel bundles. These bundles are ready to insert into the reactor core as fuel to generate clean electricity. Zircatec supplies these fuel bundles to Candu-style reactors, with sales to Bruce Power currently representing a substantial portion of its business. The plant's annual capacity is 1,200 tonnes uranium as finished fuel.

In Cobourg, Ontario, Zircatec also operates a facility where the primary product is zirconium tubing, an integral part of fuel bundles used by nuclear reactors. The plant also manufactures various Candu reactor components and monitoring equipment.

FUEL SERVICES STRATEGIES

Cameco's objective is to build on and leverage its competitive advantage in fuel services. In doing so, we strive to meet three major goals:

- remain a low-cost producer,
- protect and expand market position, and
- maintain supply flexibility.

To achieve these goals, the company's strategies are to improve its margins and to protect and grow its market position. We plan to improve our margins by increasing capacity and through quality and business process improvements. In addition, we will pursue fundamental productivity gains through technological development.

To protect and grow market position, we intend to expand or build new capacity. We will limit risk and capital expense by selectively pursuing partnering opportunities with other nuclear fuel cycle participants.

CAPABILITY TO DELIVER RESULTS

Cameco will execute our strategies and deliver on our goals by ensuring :

- community relations at Port Hope continue to strengthen,
- adequate human resources are available to replace an aging workforce,
- capital is available over the longer term given our expansion plans, and
- adequate resources are allocated to maintain and grow our fuel services business.

COMMUNITY RELATIONS

Cameco decided in 2005 not to proceed with a slightly enriched uranium dioxide (SEU) blending project at its Port Hope conversion facility. SEU is the new uranium fuel proposed for use in the Bruce Power reactors in Ontario.

Bruce Power requires SEU for a power uprate project that is expected to enhance the safety and reliability of the Bruce B reactors. SEU is also the basis of the fuel required for the next generation of Candu reactors being developed by Atomic Energy of Canada Ltd.

There was no question that we could produce SEU safely while ensuring public safety and protecting the environment at Port Hope. The public communication process ultimately took longer than anticipated leading to the development of alternate sources of SEU blending to meet the Bruce Power project schedule.

Going forward, we will adopt a more consultative approach to community relations. For example, for Vision 2010, which is a long-term project to remediate and rebuild parts of the Port Hope conversion site, we initiated a community consultation process to obtain input early in the planning stage.

HUMAN RESOURCES

As with our uranium business, we need to ensure we have adequate human resources to replace the aging fuel services workforce. At December 31, 2005, about 35% of the conversion services workforce was age 50 or older. We have developed a strategy to meet that challenge.

REGULATORY APPROVALS

Cameco's plan to grow in the fuel services business depends on securing regulatory approvals for environmental assessments and operating licenses at Blind River and Port Hope. We will apply for licence renewals for all three fuel services facilities in 2006 because their existing five-year licences expire in early 2007. In addition to its licence renewal, Zircatec will be applying for a licence amendment for the commercial manufacturing of the SEU required for the Bruce Power power uprate project.

We have also applied to expand the capacity of the Blind River refinery to support our agreement with Springfields and to add additional pollution control equipment.

ADEQUATE RESOURCES

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 intend to remain competitive in the longer term and retain the flexibility to quickly take advantage of future new market opportunities. Cameco constantly reviews options to grow the conversion business to meet these longer-term opportunities.

CONVERSION BUSINESS RESULTS

In 2005 Cameco's conversion business consisted of the uranium refining and conversion facilities located in Ontario.

REVENUE

We established a new record for conversion services revenue in 2005. Revenue from the conversion business rose by 10% to $158 million compared to $144 million in 2004 due to a 12% improvement in the realized price. The benefit of the price improvement was partially offset by a decline in sales volumes that were 2% lower than last year's record deliveries.

Conversion Business Highlights

	2005	2004	% change
Revenue ($ millions)	158	144	10
Gross profit ($ millions)	28	33	(15)
Gross profit %	18	23	(22)
Earnings before taxes ($ millions)	25	31	(19)
Sales volume (million kgU)	16.6	16.9	(2)
Production volume (million kgU)	11.4	9.5	20

COST OF PRODUCTS AND SERVICES SOLD

In 2005, the cost of products and services sold was $120 million compared to $102 million in 2004, an increase of 18% due primarily to higher costs for purchased conversion, which have trended upward with the rise in the UF_6 spot price. In 2005, the cost of purchased conversion rose about 50% over 2004, due to purchases made to replenish inventory drawn down as a result of the 2004 strike at the Port Hope facility. On a per unit basis, the cost of products and services sold increased by about 18% over the previous year.

DEPRECIATION, DEPLETION AND RECLAMATION

In 2005, DD&R charges were unchanged at $10 million compared to 2004. Similarly the rate of depreciation per unit was unchanged as volumes were only slightly below 2004 quantities.

GROSS PROFIT

In 2005, gross profit from the conversion business amounted to $28 million compared to $33 million in 2004, a decrease of 15%. This decline was attributable to the 18% increase in the unit cost of product sold which more than offset a 12% improvement in the realized price. The gross



profit margin for the conversion business declined to 18% from 23% in 2004.

CONVERSION SERVICES OUTLOOK FOR 2006

Cameco expects revenue from the conversion business to be nearly 20% higher than in 2005 due to an anticipated 15% increase in sales deliveries and a 5% improvement in the average realized selling price. We project the gross profit margin to be 18%, unchanged from 2005, as an expected increase in the unit cost is likely to offset the higher anticipated price.

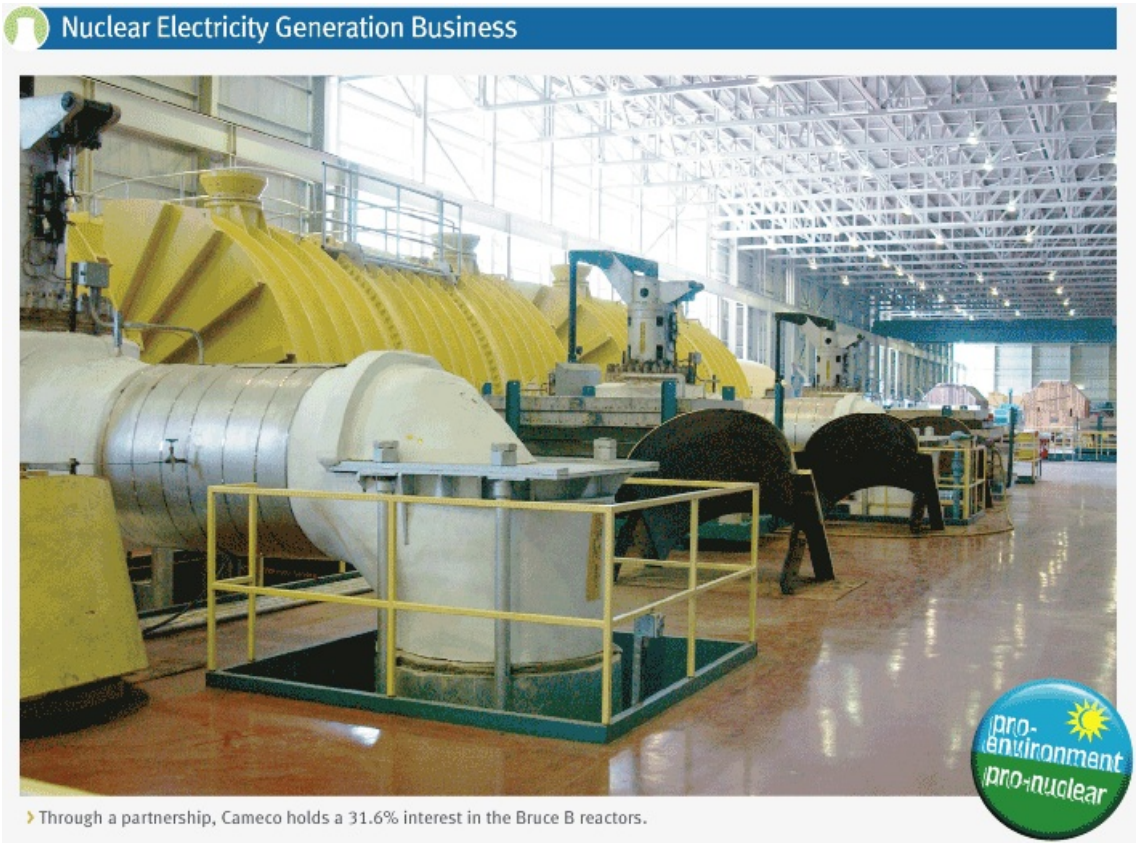
We expect conversion sales volume to total about 19.0 million kgU in 2006 compared to 16.6 million kgU in 2005. Our planned production for 2006 is projected to be about 14.2 million kgU, up from 11.4 million kgU in 2005.

The financial results outlook for the conversion business is based on the following key assumptions:

- no significant changes in our estimates for sales volumes, costs, and prices,
- no disruption of supply from our facilities or third-party sources, and
- a US/Canadian spot exchange rate of $1.16.

CONVERSION SERVICES PRICE SENSITIVITY ANALYSIS

The majority of conversion sales are at fixed prices with inflation escalators. In the short term, Cameco's financial results are relatively insensitive to changes in the spot price for conversion. The newer fixed-price contracts generally reflect longer-term prices at the time of contract award. Therefore, in the coming years, our contract portfolio will be positively impacted by higher fixed-price contracts.

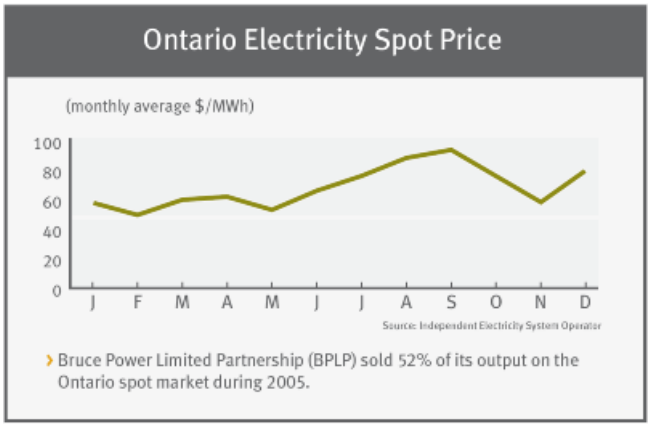


Cameco has a 31.6% interest in the Bruce Power Limited Partnership (BPLP), which operates the four Bruce B nuclear reactors and manages the overall site located in southern Ontario. BPLP's business is the generation and sale of electricity into the Ontario wholesale market. BPLP's four B reactors have a combined net generation capacity of about 3,200 MW, and supply about 17% of Ontario's electricity needs.

NUCLEAR ELECTRICITY GENERATION BUSINESS RESULTS

The 2005 results reflect the new partnership structure that was created on October 31, 2005, following the division of the Bruce Power site assets between Bruce B operations (Bruce Power Limited Partnership or BPLP) and Bruce A operations (Bruce A Limited Partnership or BALP). Effective November 1, 2005, Cameco's 31.6% interest in BPLP includes the four Bruce B units and does not include the A units.

Immediately following the restructuring, Cameco began to proportionately consolidate its share of BPLP's financial results. Our move to this new method of accounting was driven by incremental changes to the partnership agreement, which resulted in joint control among the three major partners. Proportionate consolidation is required for investments in jointly controlled entities. For the first 10 months of 2005, our



financial results reflect a six-unit operation that is accounted for on an equity basis. For the last two months in the year, our results reflect a four-unit operation, accounted for on a proportionate basis.

NUCLEAR ELECTRICITY GENERATION BUSINESS HIGHLIGHTS

EARNINGS

For 2005, BPLP earnings before taxes were $520 million prior to the loss resulting from the Bruce Power restructuring compared to $338 million in 2004. This increase primarily reflects higher realized electricity prices as a result of strong demand, partially offset by a 3% decrease in capacity factor compared to 2004. In 2005, Cameco's share of earnings before tax from BPLP amounted to $170 million (of which $165 million was accounted for under the equity method) compared to $121 million in 2004.

REVENUE

In 2005, revenue totalled $1,858 million, up 17% from 2004. BPLP's realized price averaged $58.00 per MWh from a mix of contract and spot sales, a 23% increase over last year. The Ontario electricity spot price averaged about $68.00 per MWh during 2005 compared to $50.00 per MWh a year earlier. During 2005, about 48% of BPLP's output was sold under fixed-price contracts, the same as in 2004.

The BPLP units achieved a total capacity factor of 79% in 2005, down from 82% in 2004. These units produced 30.8 TWh in 2005, a decrease of 2.8 TWh over the previous year. This decrease reflects:

- the removal of units A3 and A4 output after October 31, 2005 from BPLP results due to the restructuring,
- planned outages of units A3 and A4 prior to the restructuring,
- planned outages on units B5 and B7, and
- unplanned outages, including the 29-day outage of unit B6 to replace its main output transformer and 17-day outage on unit B6 to repair the refuelling machine.

Electricity Business Highlights

Bruce Power Limited Partnership (100% basis)	2005	2004	% change
Output-terawatt hours (TWh)	30.8	33.6	(8)
Capacity factor %*	79	82	(4)
Realized price ($/MWh)	58	47	23
($ millions)			
Revenue	1,858	1,583	17
Operating costs	1,273	1,178	8
-cash-costs (materials, labour, services and fuel)	1,079	1,017	6
-non-cash costs (depreciation and amortization)	194	161	20
Earnings before interest and taxes	585	405	44
Interest	65	67	(3)
Earnings before taxes	520	338	54
Cash from operations	771	446	73
Capital expenditures (including sustaining capital)	335	359	(7)

* 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.

COSTS

For 2005, operating costs were $1,273 million compared with $1,178 million in 2004. About 95% of BPLP's operating costs are fixed. As such, most of the costs are incurred whether the plant is operating or not. On a per MWh basis, the operating cost in 2005 was $40.00 per MWh, compared with $35.00 per MWh for 2004. The increase in unit cost is primarily due to lower output because of higher planned and unplanned outages, related outage costs, and higher depreciation and amortization costs in 2005.

Cameco's Earnings From BPLP

($ millions)	2005	2004	% change
BPLP earnings before taxes (100%) [1]	520	338	54
Cameco's share of pre-tax earnings before adjustments	164	107	53
Adjustments:			
Sales contract valuation	13	21	(38)
Interest capitalization	—	2	—
Interest income on loan to BPLP	7	8	(13)
Fair value increments on assets [2]	(14)	(17)	(18)
Pre-tax earnings from BPLP [1]	170	121	40
BPLP distributions	1,033	—	—
Cameco's share	326	—	—

1 Excludes loss recorded on the restructuring of Bruce Power.

2 Reflects the amortization of Cameco's excess purchase price over book value of assets.

2006 BPLP Capital Expenditures (100%)

Bruce Power Limited Partnership
($ millions)

2006 BPLP Capital Plan	Bruce B Specific	Common Capital	Total BPLP
Category:			
Power uprate	12	0	12
Infrastructure	6	9	15
Improvement	12	15	27
Sustaining	53	16	69
Total Capital Plan	**83**	**40**	**123**

CASH FROM OPERATIONS

For 2005, BPLP generated $771 million in cash from operations compared to $446 million in 2004 due to higher prices.

CAPITAL EXPENDITURES

In 2005, capital expenditures were $335 million compared to $359 million in 2004 and down from the $375 million expected in 2005. The decrease in capital expenditures was due to the deferral of some capital programs to 2006 and to the reorganization of Bruce Power, with the Bruce A-related capital expenditures, now the responsibility of the Bruce A Limited Partnership.

OUTLOOK FOR 2006

BPLP earnings in 2006 are projected to be marginally higher than in 2005 mainly as a result of fewer outages. This earnings outlook assumes the B units will achieve their targeted capacity factors and that there will be no significant changes in current estimates for costs and prices.

2006 PLANNED OUTAGES

In 2006, capacity factors for the B units are expected to average in the low 90% range compared to 79% in 2005. A significant reduction in time and expenditure on refurbishment programs is anticipated, with only one planned Bruce B outage. This outage is expected to last for two months, beginning in the third quarter.

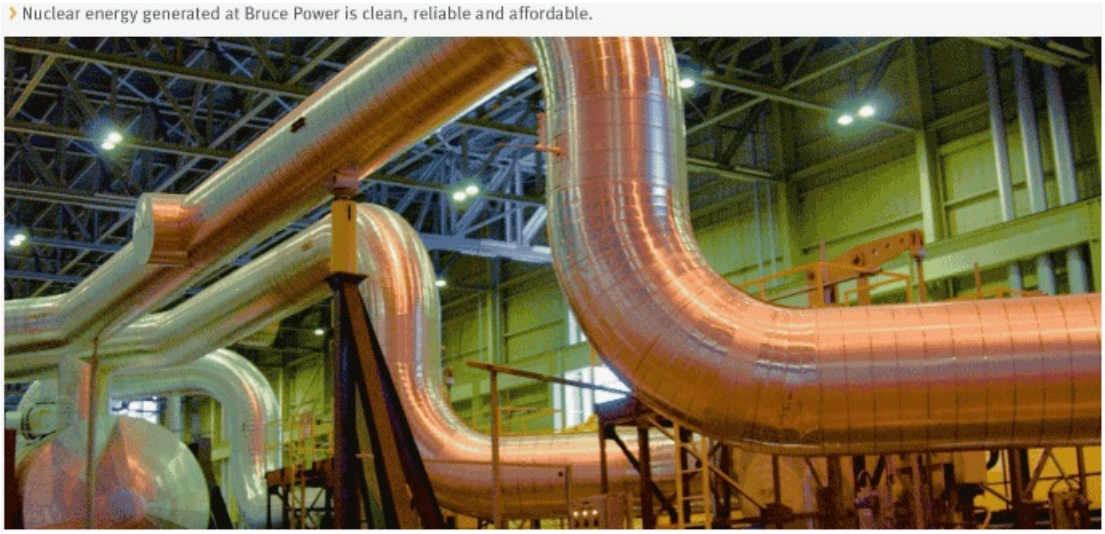
2006 CAPITAL EXPENDITURES (100%)

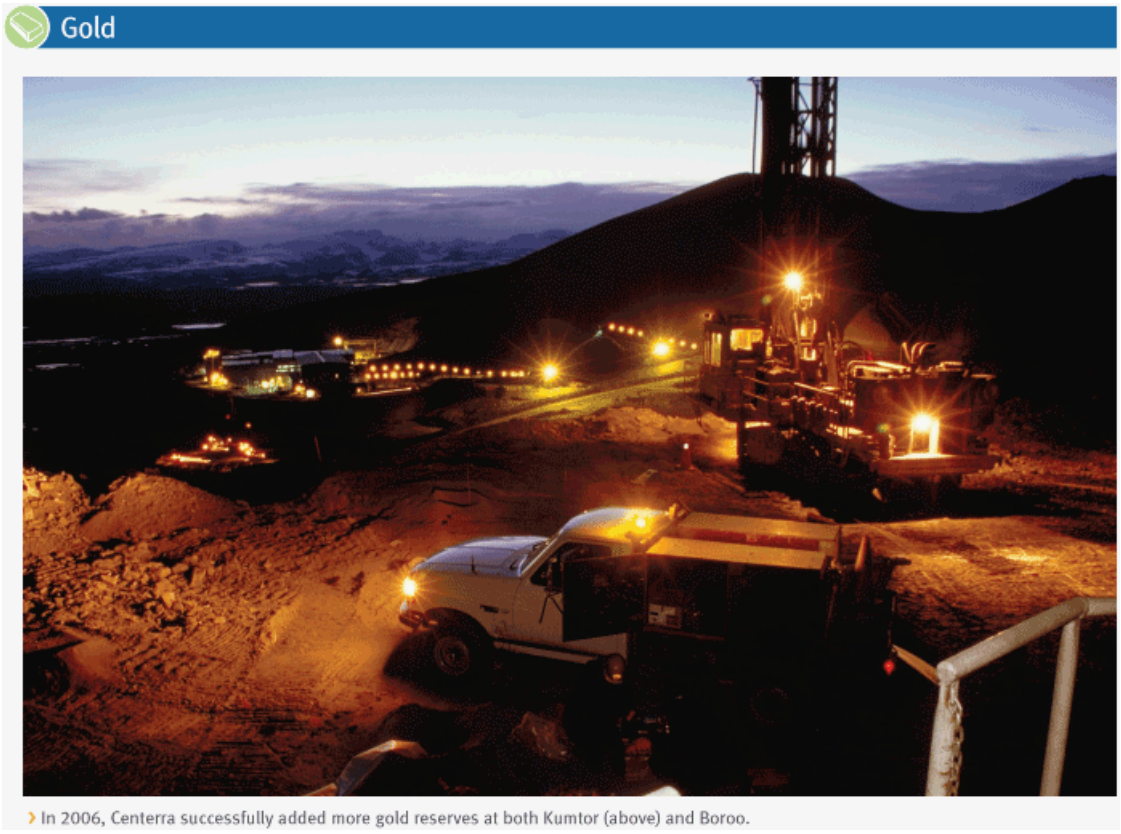
Bruce Power capital expenditure program for the four B units is expected to total $123 million. This includes $69 million for sustaining capital with the balance for power updates, infrastructure and improvements.

Cameco expects that funding of these projects will come entirely from BPLP cash flows. However, available funds will depend on the electricity market prices and the operational performance of the four B units.

ELECTRICITY PRICE SENSITIVITY ANALYSIS

BPLP has 13 TWh sold under fixed-price contracts for 2006. This would represent about 50% of Bruce B's generation at its planned capacity factor. A $1.00 per MWh change in the spot price for electricity in Ontario would change Cameco's after-tax earnings from BPLP by about $3 million.





CENTERRA

Cameco owns 52.7% of Centerra, which is listed and publicly traded on the 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, the former Soviet Union, and other emerging markets. Centerra owns 100% of the Kumtor mine in the Kyrgyz Republic and a 95% interest in the Boroo mine in Mongolia. The company is the operator of both mines. Centerra 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% joint-venture 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,
- advancing late stage exploration properties by additional drill programs, and feasibility studies as warranted, and
- actively pursuing selective acquisitions or mergers, with a disciplined focus on mid- to advanced-stage exploration and development properties primarily in Central Asia, the former Soviet Union and other emerging markets.

Centerra recently issued updated estimates on the reserves and resources at its operating mines. Reserves of 2.3 million ounces of gold have been added at Kumtor before accounting for the production of 614,000 ounces of contained gold in 2005. The average reserve grade has also increased from 3.3 grams per tonne (g/t) gold to 3.8 g/t. At Boroo, reserves of 349,000 ounces of gold have been added which replace reserves mined in 2005. Additionally, 2.5 million ounces of measured and indicated resources have been added to Centerra's resource base.

As of December 31, 2005, on a 100% project basis, Centerra's proven and probable reserves totalled 6.2 million ounces of contained gold (Cameco's share is 3.2 million ounces). Based on these estimates, the additional reserves will extend the Kumtor mine life by almost three years and the Boroo mine life by approximately one year. For more information, including a caution on the risks associated with the mine life extension and reserve estimates, see Cameco's and Centerra's news releases dated January 23, 2006.

The technical information provided for Centerra's reserves and resources noted above was prepared under the supervision of Robert S. Chapman, M.Sc., P.Geo., and Centerra's director, mergers & acquisitions, a qualified person for the purpose of National Instrument 43-101.

Centerra is building its exploration program to further expand its reserve and resource 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 and ultimately fully divest of its gold investment. 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, refer to its annual report and annual information form for 2005.

GOLD OPERATING RESULTS

The operating results of 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.

GOLD FINANCIAL RESULTS

In 2005, revenue from our gold business rose by $89 million to $412 million compared to 2004. This increase was due largely to the full consolidation of Kumtor's results, a full year of production at Boroo and higher realized gold prices. The realized price for gold sales increased to $433 (US) in 2005 compared to $397 (US) per ounce in 2004.

Gold revenue included proceeds from the sale of gold in the current period as well as the amortization of deferred charges related to previously closed gold hedge contracts in 2004. The recognition of the deferred charges causes the realized gold price to vary relative to the average spot price for the period. In 2005, the deferred charges amounted to $7.00 (US) per ounce compared to $11.00 (US) per ounce in 2004.

Gold production at Kumtor was 501,000 ounces in 2005, a decline of 24% over 2004 levels due mainly to a lower mill head grade that averaged 3.4 g/t compared to 4.4 g/t last year.

Boroo gold production in 2005 was 286,000 ounces compared to 218,000 ounces in 2004 due to a full year of production following the start of operations in 2004. The average head grade of ore fed to the mill was 4.2 g/t compared to 4.5 g/t last year.

The gross profit margin for gold declined to 26% in 2005 compared to 34% in 2004 due to lower grades, and the higher cost of labour taxes and consumables.

GOLD OUTLOOK FOR 2006

Based on Centerra's current operations, total production for the year is forecast at 729,000 ounces, a decline of about 7% from 2005 primarily as a result of lower grades at both mines and lower recovery at Kumtor.

At Kumtor, production in 2006 is expected to decline to 461,000 ounces from 501,000 ounces in 2005, due to a

Gold Business Financial Highlights

Fully consolidated financial highlights including the minority interest.

	2005	2004	% change
Revenue ($ millions)	412	323	28
Gross profit ($ millions)	107	108	(1)
Gross profit (%)	26	34	(24)
Selling price ($US/ounce)	433	397	9
Sales volumes (ounces)[1]	781,000	619,000	26
Production (ounces)[2]	787,000	641,000	23

1 Comprising 100% of Boroo and one-third of Kumtor to June 22, 2004 and 100% thereafter.

2 Represents 100% of production from the Kumtor and Boroo mines.

lower mill head grade that is expected to average 3.3 g/t compared to 3.4 g/t in 2005 and lower recovery.

For Boroo, the outlook for 2006 calls for production to decline to 268,000 ounces from 286,000 ounces in 2005, due to a lower mill head grade that is expected to average 3.9 g/t compared to 4.2 g/t in 2005.

Total unit cash cost for 2006 is expected to rise reflecting the lower projected production.

Centerra expects the current gold industry's strong fundamentals to continue to exert upward pressure on price. As such, Centerra currently plans to leave its gold production unhedged.

GOLD PRICE SENSITIVITY ANALYSIS
For 2006, a $25.00 (US) per ounce change in the gold spot price would change Cameco revenue by about $21 million (Cdn), cash flow by about $20 million (Cdn) and net earnings by about $9 million (Cdn).



2005 Fourth Quarter Consolidated Results

Consolidated revenue rose 45% to $522 million in the fourth quarter of 2005, while our adjusted net earnings doubled to $74 million ($0.20 per share). The significant improvement in the results was due to higher earnings from BPLP and improved results in the uranium business.

The improvement was partially offset by higher expenses for administration and exploration. Our total costs for administration, exploration, interest and other were about $57 million, $16 million higher than 2004. Of this, administration costs were $12 million higher due to stock compensation charges primarily attributable to increased share prices ($4 million), charges for postretirement benefits ($2 million), business development costs at Centerra ($1 million), and expenditures for regulatory compliance, business process improvements and workforce maintenance.

Exploration expenditures rose by $4 million to $18 million due to increased exploration activity in both the uranium and gold businesses. In uranium exploration, a $3 million increase in expenditures was related to programs in Saskatchewan, Australia and the Northwest Territories. In the gold business, Centerra increased its exploration expenditures by $1 million compared to 2004. The higher charges reflect increased gold exploration activity in the Kyrgyz Republic and Mongolia.

2005 Q4 Consolidated Financial Highlights

($ millions except per share amounts)	Three Months Ended Dec. 31/05	Three Months Ended Dec. 31/04	% change
Revenue	522	361	45
Earnings from operations	57	46	24
Cash provided by operations [1]	91	59	54
Net earnings	81	37	119
Earnings per share – basic[2]	0.23	0.10	130
Earnings per share – diluted[2]	0.22	0.10	120
Adjusted net earnings [1]	74	37	100

1 After working capital changes.

2 Data reflects the stock split on February 17, 2006.

3 2005 excludes a net gain of $7 million ($0.04 per share) related to the gain on sale of Energy Resources of Australia Ltd shares ($69 million) and the loss on the restructuring of the Bruce Power Limited Partnership ($62 million).

During the fourth quarter, the company recorded a benefit related to a court decision finding that the resource surcharge paid to the Government of Saskatchewan was deductible in calculating federal and provincial taxable income. Previously, the surcharge had not been a tax deductible expense. As a result, the company recorded a $10 million recovery of income tax expense.

Our effective tax rate, excluding adjustments, increased to 16% in the fourth quarter from 10% in the same period of 2004 due to a greater proportion of total income being taxable in Canada.

Earnings from operations were $57 million in the fourth quarter of 2005 compared to $46 million in 2004. The aggregate gross profit margin decreased to 22% from 24% in 2004.

For more information on the fourth quarter of 2005, refer to Cameco's news release dated January 31, 2006.



2004—2005 Quarterly Consolidated Financial Highlights

The following points are intended to assist the reader in analysing the trends in the quarterly financial highlights for 2005:

- Revenue, driven by timing of deliveries in our uranium and conversion businesses, tends to be higher in the fourth quarter.
- However, net earnings do not trend directly with revenue because they are significantly influenced by results from BPLP. Prior to November 1, 2005, the equity method of accounting was applied to the investment in BPLP and thus no BPLP revenue was recorded.

- On November 1, 2005, Cameco changed the accounting for BPLP to proportionate consolidation. As such, for the fourth quarter of 2005, we have included our proportionate share of revenue, expenses and cash flows from the Bruce B reactors for November and December.
- Cash from operations tends to fluctuate due largely to the timing of deliveries and product purchases in the uranium and conversion businesses.



2005 Consolidated Results

CONSOLIDATED EARNINGS

EARNINGS

In 2005, Cameco recognized an after-tax gain of $69 million ($0.20 per share) on the disposal of our 12.8 million shares in Energy Resources of Australia Ltd (ERA). We also recorded an after-tax loss of $62 million ($0.18 per share) related to the restructuring of the Bruce Power Limited Partnership. In 2004, Cameco recorded an after-tax gain of $94 million ($0.27 per share) related to certain restructuring transactions that led to the creation of Centerra. The following discussion of consolidated earnings excludes these items to provide a more representative comparison of operating results.

Our results reflect the new partnership structure that was created on October 31, 2005, following the division of the Bruce Power site assets between Bruce B operations (Bruce Power Limited Partnership or BPLP) and Bruce A operations (Bruce A Limited Partnership or BALP). Effective November 1, 2005, Cameco's 31.6% interest in BPLP includes the four Bruce B units and does not include the A units.

Also on November 1, 2005, Cameco began to proportionately consolidate its share of BPLP's financial results. This change in the method of accounting was driven by incremental changes to the partnership agreement, which resulted in joint control among the three major partners. Proportionate consolidation is required for investments in jointly controlled entities.

Consequently, our financial results for the first 10 months of 2005 reflect a six-unit operation, which is accounted for on an equity basis. For the remaining two months in the year, our results reflect a four-unit operation, which is accounted for on a proportionately consolidated basis.

For 2005, our adjusted net earnings were $211 million ($0.58 per share), $26 million higher than the adjusted net earnings of $185 million ($0.51 per share) reported in 2004 due largely to improved results in our uranium business and higher earnings from BPLP. The improved earnings were partially offset by higher charges for administration and exploration.

The improvement in the uranium business was due to a higher realized price, mainly due to the significant increase in the spot price for uranium. Earnings from Bruce Power improved due to higher realized prices because of strong demand.

Our earnings from operations were $123 million in 2005 compared to $125 million in 2004. Cameco's aggregate gross profit was unchanged at 23%.

CORPORATE EXPENSES

Administration

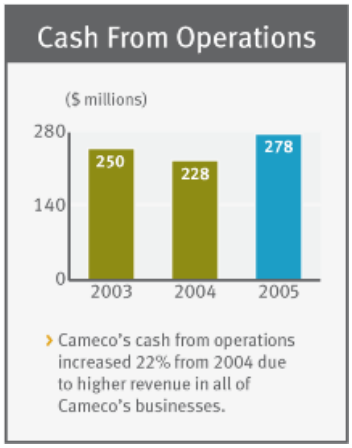
In 2005, administration costs were $108 million, an increase of $38 million due to stock compensation charges from increased share prices ($12 million), administration and business development costs at Centerra ($11 million), Sarbanes Oxley (SOX) compliance ($2 million), post-retirement benefits ($2 million) and community donations ($1 million). The remaining increase in administrative expenses was related largely to business process improvements, regulatory compliance and an increase in workforce.

2004-2005 Quarterly Consolidated Financial Highlights

($ millions except per share amounts)	2005					2004				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Revenue	522	288	287	216	1,313	361	313	242	132	1,048
Net earnings[1]	81	79	32	26	218	37	52	151	39	279
Earnings per share[2] – basic	0.23	0.22	0.10	0.08	0.63	0.10	0.15	0.44	0.12	0.81
Earnings per share[2] – diluted	0.22	0.21	0.09	0.08	0.60	0.10	0.15	0.41	0.12	0.78
Earnings per share[2] – adjusted and diluted	0.20	0.21	0.09	0.08	0.58	0.10	0.11	0.18	0.12	0.51
Cash from operations	91	148	(45)	84	278	59	140	(17)	46	228

1 There were no discontinued operations or extraordinary items in 2004 or 2005.

2 Data reflects the stock split on February 17, 2006.



Interest and Other

In 2005, interest and other costs declined by $2 million compared to 2004 due to lower gross interest charges ($5 million) and higher interest income on cash balances ($5 million). These improvements were partially offset by expenses related to the ineffective portion of derivative hedging instruments ($8 million). Refer to note 11 in the notes to consolidated financial statements.

Income Taxes

In 2005, total income tax expense amounted to $30 million compared to $73 million for 2004. In 2005, the company recorded a benefit related to a court decision finding that the resource surcharge paid to the government of Saskatchewan was deductible in calculating federal and provincial taxable income. Previously, the surcharge had not been a tax-deductible expense. As a result, the company recorded a $10 million recovery of income tax expense.

Excluding the tax recovery related to resource surcharges and other adjustments, the effective rate for income taxes in 2005 increased to 20% from 17% in 2004 as a higher proportion of earnings came from jurisdictions with higher tax rates.

Income tax expense also includes the large corporation tax and other capital taxes, which amounted to about $6 million in each of 2005 and 2004. Refer to note 13 in the notes to consolidated financial statements.

CASH RESOURCES

OPERATING ACTIVITIES

In 2005, Cameco generated record cash from operations of $278 million compared to $228 million in 2004. The increase of $50 million was mainly attributable to higher revenues in the uranium and gold businesses compared to the previous year and cash distributions received from BPLP. This was partially offset by a significant increase in accounts receivable year-over-year. Due to the timing of sales, the accounts receivable balance increased to $340 million at December 31, 2005, compared to $183 million at December 31, 2004.

INVESTING ACTIVITIES

In 2005, Cameco generated $21 million from its investing activities primarily due to the restructuring of BPLP ($200 million) and the sale of its shares in ERA ($102 million). Excluding these inflows, cash used in investing activities increased to $280 million from $161 million in 2004. This increase of $119 million was largely attributable to the development activity at Cigar Lake and Inkai as well as greater capital expenditures by Centerra. In addition, investing activities reflect $23 million in capital expenditures at BPLP.

For 2005, investing activities included $22 million for sustaining capital at McArthur River/Key Lake, $81 million in development costs at Cigar Lake and $26 million in capitalized interest charges.

FINANCING ACTIVITIES

In 2005, Cameco generated $101 million through its financing activities. In 2005, Cameco completed a debenture offering that netted proceeds of $298 million. Through the year, the company repaid a total of $181 million in short-term and long-term debt. In addition, $150 million in debentures were redeemed in January 2006.

BALANCE SHEET

The proportionate consolidation of BPLP had a significant impact on our balance sheet at December 31, 2005, causing many of the reported amounts to increase considerably. The largest of the incremental values are provided in the following table.

Balance Sheet

($ millions)	
Accounts receivable	65
Property, plant and equipment	520
Long-term investments	(253)
Accounts payable	91
Long-term debt	204

CASH

At December 31, 2005, our consolidated cash balance totalled $623 million with Centerra holding about $236 million of this amount.

INVENTORIES

Compared to the end of 2004, our product inventories increased by $13 million to $400 million at the end of 2005. Most of the increase in

inventory was attributable to higher unit costs due to increased costs for purchased

uranium and conversion. See note 3 to the consolidated financial statements.

DEBT

At December 31, 2005, our total debt was $859 million, an increase of $340 million compared to December 31, 2004. At December 31, 2005, our consolidated net debt to capitalization ratio was 9%, down from 13% at the end of 2004. On January 17, 2006, we used cash on hand to redeem a total of $150 million in debentures.

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.

Investments

($ millions)	Book Value	Market Value
Centerra	411	1,069
UEX Corporation	11	167
Total	**422**	**1,236**

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Cameco enters into certain transactions that 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:

- Financial assurances:
  - Nuclear Electricity Generation Business,
  - Liquidity and Capital Resources,
  - Risks and Risk Management, and
  - notes 6, 7 and 22 of the consolidated financial statements.
- Derivative instruments:
  - Uranium Business,
  - Risks and Risk Management,
  - Critical Accounting Estimates, and
  - note 22 of the consolidated financial statements.
- Long-term product purchase contracts:
  - Uranium Business,
  - Liquidity and Capital Resources, and
  - note 21 of the consolidated financial statements.



Consolidated Outlook for 2006

In 2006, Cameco expects consolidated revenue to grow by more than 40% over 2005 due to the improved uranium markets and the proportionate consolidation of BPLP revenue. On a consolidated basis, our gross profit margin is projected to improve to 28% from 23% reported in 2005.

In the uranium business, we expect revenue to be about 20% higher due to a stronger realized price and increased sales volumes. We also anticipate that revenue from the conversion business will be about 20% higher than in 2005 due to an anticipated 15% increase in sales deliveries and an increase in the average realized selling price.

BPLP earnings in 2006 are projected to be marginally higher than in 2005 mainly because of fewer outages. This earnings outlook assumes the B units will achieve a targeted capacity factor in the low 90% range and that there will be no significant changes in our current estimates for costs and prices.

Gold production in 2006 is forecast at 729,000 ounces, a decline of about 7% from 2005. Unit costs are expected to increase primarily due to lower ore grades at the Boroo and Kumtor mines and lower recovery at Kumtor.

The financial outlook noted above for the company is based on the following key assumptions:

- no significant changes in our estimates for sales volumes, costs, and prices,
- no disruption of supply from our facilities or third-party sources, and
- a US/Canadian exchange rate of $1.16.

Administration costs are projected to be about 10% greater than in 2005. The increase in administration reflects higher charges for stock compensation, business development and costs to maintain the workforce. Exploration costs are expected to be about $55 million in 2006. Of this, $32 million is targeted for uranium.

For 2006, the effective tax rate is expected to be in the range of 15% to 20%. This range is based on the projected distribution of income among the various tax jurisdictions being similar to that of 2005.

In 2006, we expect total capital expenditures, including the gold business, to increase by 70% to $484 million. Capital expenditures are classified as growth or sustaining. Growth capital is defined as capital spent to bring on incremental production plus business development initiatives. The remainder is classified as sustaining capital. Cameco expects it will have sufficient debt capacity and cash from operations to fund our capital expenditure program.

Capital Expenditures

(Cameco's share in $ millions)	2006 Plan	2005 Actual
Growth Capital		
McArthur River	4	9
US ISL	5	—
Cigar Lake	90	81
Conversion Services	3	—
Inkai	35	18
Centerra[1]	100	22
Total Growth	**237**	**130**
Sustaining Capital		
McArthur River/Key Lake	42	22
US ISL	28	19
Rabbit Lake	32	13
Conversion Services	38	18
Bruce Power (BPLP)[2]	39	23
Centerra[1]	18	18
Other	22	16
Total Sustaining	**219**	**129**
Capitalized interest	28	26
Total	**484**	**285**

1 Represents 100% of Centerra's expenditures.

2 Includes Cameco's proportionate share from November 1, 2005 forward.

For growth projects, total expenditures are projected to be $237 million, an increase of $107 million compared to 2005. The increase is attributable to:

- development activity at Cigar Lake and Inkai,
- expansion of production capacity at McArthur River and US ISL mines, and
- equipment and infrastructure expenditures to increase mine life at Kumtor.

Expansion at McArthur River and development at Inkai are subject to regulatory approvals.

We expect sustaining capital expenditures to be higher in 2006 than in 2005 due to ongoing mine development work at McArthur River and Rabbit Lake, establishing freeze walls for two new mining areas at McArthur River, water treatment projects at Key Lake and Rabbit Lake, 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.

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 2005, Cameco issued $300 million of 10-year, 4.7% unsecured debentures, maturing September 16, 2015. Cameco also extended its revolving credit facility by one year to be available until November 30, 2010. In December, we announced our intention to redeem in full $100 million of 6.9% debentures, due July 12, 2006 and $50 million of 7% debentures, due July 6, 2006. The total redemption price of $152 million plus accrued interest was paid on January 17, 2006.

INDICATORS DEFINED

Cash provided by operations reflects the net cash flow generated by operating activities after consideration for changes in working capital.

Cash provided by operations to net debt indicates the company's ability to meet debt obligations from internally generated funds.

Net debt to total capitalization measures the company's use of financial leverage. A lower percentage means less

Liquidity Indicators

	2005	2004	2003	2002	2001
Cash provided by operations ($ millions)	278	228	250	241	102
Cash provided by operations/net debt* (%)	118	69	48	66	20
Net debt*/total capitalization (%)	9	13	22	18	24

* Total debt less cash and cash equivalents based on consolidated amounts.

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, 2005, the consolidated cash balance totalled $623 million, with Centerra holding about $236 million of this amount for its own use.

CREDIT RATINGS

Cameco has one series of senior unsecured debentures outstanding and is a frequent issuer of commercial paper. On January 17, 2006, Cameco redeemed in full $100 million of 6.9% debentures, due July 12, 2006 and $50 million of 7% debentures, due July 6, 2006. Moody's Investors Service had been specifically contracted to rate these debentures and performs no other services for Cameco. As a result, effective January 17, 2006, Moody's withdrew its rating related to Cameco.

The following table provides Cameco's remaining third-party ratings for our commercial paper, senior debt and convertible debentures, as of December 31, 2005.

Credit Ratings

Security	Dominion Bond Rating Service Limited	Standard & Poor's
Commercial Paper	R-1 (low)	A-2
Senior Unsecured Debentures	A (low)	BBB+
Convertible Debentures	BBB (high)	Not Rated

DEBT

In addition to cash from operations, debt is used to provide liquidity. Cameco has sufficient borrowing capacity to meet its current requirements.

Cameco has access to approximately $750 million in unsecured lines of credit. Commercial lenders have provided a $500 million unsecured revolving credit facility, available until November 30, 2010, 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 of Cameco's other senior debt. At December 31, 2005, there were no amounts outstanding under this credit facility.

Cameco may borrow directly from investors by issuing commercial paper up to a maximum of $400 million. To the extent necessary, we use the revolving credit facility to provide liquidity support for our commercial paper program. At December 31, 2005, there were no amounts outstanding.

Cameco also has agreements with various financial institutions to provide up to approximately $250 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 decommissioning and reclamation of our operating sites. Outstanding letters of credit at December 31, 2005 amounted to $207 million.

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 2005.

DEBENTURES

Cameco's senior unsecured debentures consist of $300 million of debentures that bear interest at the rate of 4.7% per annum and which mature September 16, 2015. On January 17, 2006, Cameco redeemed $100 million of 6.9% senior unsecured debentures and $50 million of 7% senior unsecured debentures for a total redemption price of $152 million plus accrued interest.

CONVERTIBLE DEBENTURES

Cameco has $230 million outstanding in convertible debentures. The debentures bear interest at 5% per annum,

Contractual Cash Obligations

As at December 31, 2005
($ millions)

	Total	Due in Less Than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt[1]	884	157	16	22	689
Interest on long-term debt	240	26	51	51	112
Other liabilities	111	14	18	15	64
Unconditional product purchase obligations[2,3]	1,231	165	305	280	481
Total contractual cash obligations	**2,466**	**362**	**390**	**368**	**1346**

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, 2005 rate of $1.1659.

3 Virtually all of Cameco's product purchase obligations are under long-term, fixed-price arrangements.

Commercial Commitments

As at December 31, 2005
($ millions)

	Total amounts committed
Standby letters of credit[1]	207
Bruce Power Limited Partnership guarantees[2]	184
Kumtor Gold Company purchase commitments[3]	72
Total commercial commitments	**463**

1 The standby letters of credit maturing in 2006 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, 2005, Cameco's total commitment for financial assurances given on behalf of BPLP is estimated to be $184 million. See note 16 to the consolidated financial statements.

3 In 2005, Kumtor Gold Company entered into contracts to purchase plant and equipment for $62 million (US). These commitments are expected to be settled in 2006. Converted to Canadian dollars at the December 31, 2005 rate of 1.1659.

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 interest. Refer to note 6 in the notes to 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, 2005, Cameco met these financial covenants and does not expect its operating and investment activities in 2006 to be constrained by them.

COMMERCIAL COMMITMENTS

At December 31, 2005, commercial commitments included standby letters of credit of $207 million and financial guarantees for BPLP of $184 million.

In 2005, Kumtor Gold Company entered into contracts to purchase plant and equipment for $62 million (US). These commitments are expected to be settled in 2006.



2003–2005 Consolidated Financial Highlights

The following points are intended to assist the reader in analysing the trends in the annual financial highlights for the years 2003 through 2005.

- Revenue has trended higher over the three-year period, rising by 59% over 2003. More than half of this increase was related to the gold business where revenues have increased due to the commissioning of the Boroo mine in 2004 as well as a change in ownership interest in the Kumtor gold mine in the same year, which resulted in the full consolidation of Kumtor's results.
- Revenue has also been influenced by improved prices in the uranium and conversion services businesses. Our realized price for uranium concentrates has increased consistently over the three-year period, averaging $20.14 (Cdn) per pound in 2005 compared to $16.08 (Cdn) per pound for 2003, a 25% improvement. We have also seen consistent improvement in the price for conversion services, where our average realized price has risen by 10% during the period.
- Earnings from operations have also trended higher during the period but the rise has been tempered by higher costs for product sold, higher administration charges and greater investment in exploration. The increase in the cost of sales was attributable to higher costs for purchased uranium and conversion services, driven by rising spot prices. Our administration costs have risen significantly over the three-year period due to establishing Centerra as a separate publicly traded company, higher stock compensation expenses and higher costs for regulatory compliance.
- Net earnings have not trended with revenue due to two main reasons. First, our results are significantly influenced by operating results from Bruce Power. Until November 1, 2005, we used the equity method to account

2003–2005 Consolidated Financial Highlights

For the year ended December 31
($ millions except per share amounts)

	2005	2004	2003
Revenue	1,313	1,048	827
Earnings from operations	123	125	75
Net earnings	218	279	208
Earnings per share — basic[1]	0.63	0.81	0.62
Earnings per share — diluted[1]	0.60	0.78	0.61
Adjusted net earnings[2]	211	185	127
Cash provided by operations	278	228	250
Total assets	4,773	4,052	3,431
Long-term financial liabilities	1,654	1,306	1,346
Dividends per common share	$ 0.12	$ 0.10	$ 0.10

1 Data reflects the stock split on February 17, 2006 and a previous stock split on December 31, 2004.

2 Net earnings for 2005 have been adjusted to exclude $7 million in net earnings related to the gain on sale of Energy Resources of Australia Ltd shares ($69 million) and the loss recognized in restructuring the Bruce Power Limited Partnership ($62 million). 2004 net earnings were adjusted to exclude a gain of $94 million (after tax) on the restructuring of our gold business. 2003 net earnings were adjusted to exclude income tax recoveries of $81 million as the result of changes in tax legislation.

for the investment in Bruce Power and therefore no revenue was recorded prior to the time. Second, our earnings have been influenced by unusual, one-time items over the past three years. In 2003, we recorded income tax recoveries of $81 million as the result of changes in tax legislation. In 2004, we recorded a gain of $94 million (after tax) on the restructuring of our gold business. In 2005, there were two such items: 1) the disposition of our investment in ERA which resulted in a gain of $69 million (after tax), and 2) the restructuring of the BPLP partnership which resulted in an after-tax loss of $62 million.

- Excluding the adjustments noted above, net earnings have increased by 66% in 2005 over the $127 million recorded in 2003. The 46% increase to $185 million in 2004 from 2003 was attributable to improved results in the uranium and gold businesses as well as stronger performance at Bruce Power. 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. The improvement in net earnings from 2004 to 2005 was due largely to improved results in our uranium business and higher earnings from Bruce Power. The higher earnings were partially offset by reduced earnings in gold as well as higher charges for administration and exploration. The improvement in the uranium profits was due to the higher average realized price, which was mainly the result of higher prices under fixed-price contracts and a higher uranium spot price. The earnings from Bruce Power benefited from a 23% increase in its average realized price to $58.00 per MWh as a result of higher electricity spot prices.
- In 2005, Cameco generated record cash from operations of $278 million compared to $228 million in 2004. This increase of $50 million was mainly attributable to higher revenues in the uranium and gold businesses compared to the previous year and cash distributions received from BPLP. Cash from operations of $228 million in 2004 represented a decline of $22 million compared to the $250 million recorded in 2003. This decrease was primarily due to an increase in inventory levels during 2004.
- The major components of Cameco's long-term financial liabilities are long-term debt, future income taxes and provision for reclamation. In 2005, Cameco's total long-term financial liabilities rose to $1,654 million from $1,306 million at the end of 2004 due primarily to a $340 million increase in long-term debt. This increase was attributable to a $300 million debenture issue and the proportionate consolidation of financial results from BPLP, which added $204 million to long-term debt. These increases were partially offset by the repayment of commercial paper during the year. Also, on January 17, 2006, Cameco redeemed $100 million of 6.9% senior unsecured debentures and $50 million of 7% senior unsecured debentures for a total redemption price of $152 million plus accrued interest.
- At the end of 2005, Cameco's total assets amounted to $4,773 million, an increase of $721 million over the previous year. Most of the increase was due to the proportionate consolidation of financial results from BPLP. In addition, the cash balance rose by $434 million during the year. The company used $152 million to redeem outstanding debentures in January 2006. During 2004, total assets increased to $4,052 million from $3,431 million at the end of 2003. The primary reason for this increase was the restructuring of the company's gold business which resulted in the full consolidation of Kumtor Gold Company whereas it had previously been proportionately consolidated. As a result of the restructuring, Cameco recorded goodwill amounting to $187 million.

Outstanding Share Data

On January 31, 2006, Cameco announced that its board of directors had approved a two-for-one stock split of the company's outstanding common shares. This was completed through a stock dividend with all shareholders receiving one additional share for each share owned on the record date of February 17, 2006.

After giving effect to the stock split, there were 349.6 million common shares and one Class B share outstanding at December 31, 2005. In addition, there were 8.7 million stock options outstanding with exercise prices ranging from $3.13 to $35.88 per share. Cameco also has convertible debentures in the amount of $230 million outstanding. This issue may be converted into a total of 21.2 million common shares at a conversion price of $10.83 per share. The debentures are redeemable by Cameco beginning on October 1, 2008 at a redemption price of par plus accrued interest. At current share prices, we expect existing holders to convert to equity. See notes 6, 9 and 17 of the consolidated financial statements.

Risks and Risk Management

Cameco attempts to mitigate risks that may affect its future performance through a systematic process of identifying, assessing, reporting and managing risks of corporate significance.

Management and the board, both separately and together, discuss the principal risks of our businesses, particularly during the strategic planning and budgeting processes. The board sets policies for the implementation of systems to manage and monitor identifiable risks. The nominating, corporate governance and risk committee is responsible for the oversight of risk management. Management has developed and implemented an enterprise risk management system that reports quarterly to this committee and annually to the board. This enhances the directors' understanding of the principal business risks facing Cameco and improves the company's risk management systems. The reserves oversight committee oversees the estimation of our reserves and the risks inherent in this estimation. In addition, the audit committee monitors certain financial risks and the safety, health and environment committee reviews systems and performance related to safety, health and environmental risk.

The following discusses our approach to managing our most significant risks that may affect our future performance. Also, see the discussion of the company's risk factors contained in Cameco's annual information form and that are likely to influence investors' decisions to purchase or sell our securities. The annual information form is filed on SEDAR at sedar.com and available on the company's website at cameco.com.

BUSINESS RISKS

REGULATORY APPROVAL AND EXPEDIENCY

Regulators must approve the construction, startup, continued operation and decommissioning of most of Cameco's facilities. These facilities are subject to numerous laws and regulations regarding safety and environmental matters, including the management of hazardous wastes and materials.

Significant economic value is dependent on our ability to obtain and renew the licences and other approvals necessary to operate. Failure to obtain regulatory approvals or failure to obtain them in a timely manner would result in project delays or modifications, leading to higher costs. In the extreme, a project may be suspended or terminated, which would negatively impact future earnings and cash flow. For example, we have applied or will be applying for licence renewals and amendments for many of our uranium and fuel services operations.

In November 2004, we submitted an environmental assessment for an increase in the annual licensed capacity at McArthur River and Key Lake to 22 million pounds U_3O_8 per year from 18.7 million pounds. Currently, the CNSC is considering the appropriate process to complete its review of the potential impacts associated with this proposed expansion. Specifically, the CNSC is considering the significance of the local impact of the accumulation of trace elements in the effluent. We are looking at technical solutions to reduce and/or remove these trace elements from the effluent. We do not know which solutions will ultimately be used and as such we are unable to provide an estimate of cost for mitigation at this point.

We had expected to receive this licence amendment in 2005. If approval is received, we expect it will take about two years to ramp-up production to a sustained planned production rate of approximately 21 million pounds per year. This production rate may change as we gain experience in ramping up production at this operation. Our share of the planned annual production increase of 2.3 million pounds U_3O_8 is 1.6 million pounds. The financial impact of not receiving the licence sooner is the loss of potential sales revenue and earnings.

We decided in 2005 not to proceed with the SEU blending project at our Port Hope conversion facility. The resulting public communication process affected the regulatory approval process, all of which took longer than anticipated. As a result, we are using other SEU blending suppliers to meet Bruce Power's project schedule.

Going forward, we will take a more consultative approach to community relations. For example, we initiated a community consultation process for the Port Hope Vision 2010 project to get public input early in the planning stage. The consultation process alone will cost in excess of $200,000. The impact of addressing the potential recommendations resulting from the process will most likely add costs to the project, but we are too early in the process to quantify.

In 2006, we will apply for licence renewals for all three fuel services facilities. Each of the existing five-year licences expires in early 2007. If we do not receive our licences in a timely manner, this could result in a loss of production and potentially reduce earnings. The licence renewal process could also lead to amendments to the operating licences, which may result in higher costs or provide additional financial assurances for decommissioning.

In addition to its licence renewal, Zircatec will be applying for a licence amendment to allow the commercial manufacturing of the new fuel containing SEU. If Zircatec does not receive its licence amendment for new fuel, this would mean a loss of potential revenue and an inability to supply Bruce Power with SEU fuel. Bruce Power would have to continue to use natural UO_2 fuel as there are no alternatives that can be used in the near term. This could lead to Bruce Power being de-rated, which would lead to lower output and possibly higher unit costs for Bruce Power. The effect to Cameco would be reduced earnings from Bruce Power.

We have also applied to expand the capacity of the Blind River refinery to support our agreement with Springfields and to add pollution control equipment at our incinerator. If we do not receive approval for the licence capacity expansion at Blind River, it would result in reduced production either at our Port Hope conversion facility or the Springfields facility. The combined production from the two facilities would be limited to 15 million kgU to 16 million kgU. One mitigation measure we have taken to address the risk of delay in regulatory approval is to increase our level of UO_3 inventory.

Cameco is currently preparing supporting documentation for an operating licence application for the Cigar Lake project. CNSC staff and Cameco are also reviewing requirements to allow the transition from a construction to an operating licence. Specifically, we are discussing the process of commissioning the mining and ore processing equipment, after the CNSC is satisfied that the project can advance towards full-scale operation. Cameco needs to apply for an operating licence by early 2007 to allow for mine production in the first half of 2007. If these approvals are not received in a timely fashion, we would face a delay in commencing operations, which would result in the loss of sales and revenue. Cameco's share of production from Cigar Lake, at full production, is expected to be 9 million pounds annually. Through its experience in constructing and operating uranium mines in Saskatchewan, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Saskatchewan. Based upon its experience to date, Cameco believes that all permits and approvals required for the construction and operation of the Cigar Lake mine will be obtained in a timely fashion.

At the Inkai project, there are two production areas currently in development (blocks 1 and 2). In 2005, the regulatory authorities approved the EA and design plan for a commercial processing facility in block 1 and we began construction. In 2007, we expect to complete and begin commissioning the commercial facility, subject to regulatory approvals. We expect commercial production in 2007. We will apply for a mining licence in 2007 for block 2. Commercial development of block 2 is planned for 2008. Production from block 1 and 2 is expected to total 5.2 million pounds by 2010. If these approvals are not received in a timely fashion, we could face a delay in commencing operations, which would result in the loss of sales and revenue. Cameco's share of production from Inkai, at full production, is expected to be 3.1 million pounds annually. Through its experience in constructing and operating the test mine, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Kazakhstan and based upon its experience to date, Cameco believes that all permits and approvals required for operation of the new ISL mine will be obtained in a timely fashion.

Cameco expends significant financial and managerial resources to comply with laws and regulations. A standards and policy department was established in 2005 to enhance the integration of the safety, health and environmental management systems. During 2005, we adopted a new safety, health and environment policy which moves us beyond compliance to a leadership role.

ENVIRONMENTAL REGULATIONS

Environmental regulation affects nearly all aspects of Cameco's operations, imposing very strict standards and controls. Regulation is becoming more stringent in Canada and the US. For example, changes to our operational processes are increasingly subject to regulatory approval, which may in turn result in delays due to the longer and more complex regulatory review and approval processes. These increasing requirements are expected to result in higher administration costs and capital expenditures for compliance.

Changes to environmental regulation could impose further requirements on companies involved in the nuclear fuel cycle. Such changes could include more stringent regulation on emissions and water quality standards, and on property decommissioning and reclamation. These changes could affect Cameco's operational costs, or future decommissioning costs, or lower production levels, negatively impacting future earnings and cash flow.

One example of a regulatory change that impacted our costs was the requirement to implement a quality management system (QMS) at all our Canadian sites including the head office. We implemented the QMS at our Canadian uranium operating sites and at the required head office departments by the end of 2005. In 2006, we are working to extend QMS to include our US sites and the Inkai project. The direct corporate cost of implementing QMS from 2003 to 2005 totalled approximately $1.2 million. There are also indirect costs related to the sites and corporate office. These indirect costs have not been tracked separately but are included in ongoing operating costs.

Cameco seeks to reduce its environmental impacts as one way to mitigate risks from changes in environmental regulations. For example, at the Port Hope conversion facility, emissions of uranium to air have been reduced by 88% since 1995 through the installation of new equipment and changes to operating procedures.

The historical trend toward stricter environmental regulation is likely to continue. Cameco is investing more capital to improve technical processes in order to lessen our environmental impact.

Going forward, since regulatory requirements change frequently, are subject to changing interpretations and may be enforced in varying degrees in practice, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

LIMITED NUMBER OF CUSTOMERS

The nuclear industry is highly consolidated. As a result, Cameco relies on a relatively small number of customers that purchase a significant portion of the company's uranium concentrates and conversion services. BPLP also relies on a number of major customers for its sales and Zircatec has a significant portion of its sales committed to BPLP and Bruce A Limited Partnership. The loss of any of these large customers, or the reduction in product purchases by these customers, could have a material adverse effect on Cameco's financial condition, liquidity and results of operations.

Uranium and Conversion Services

For the period 2006 through 2008, our five largest customers are anticipated to account for about 35% of our contracted supply of U_3O_8. For the period 2006 through 2008, our five largest UF_6 conversion customers are anticipated to account for approximately 34% of our 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, Ontario Power Generation (OPG), accounting for approximately 39% of the company's UO_2 sales in 2005. For 2005, one customer of Cameco's uranium and conversion services amounted to $135 million or 16% of our combined revenue from those businesses.

We have worked hard to build long-term, trusting relationships with our customers. In addition, Cameco continues to implement a strategy that focuses on achieving longer contract terms. Today, new contracts tend to reflect delivery terms up to 10 years or more. Our current contract portfolio for uranium and conversion services has contract terms averaging about seven years. Cameco has never had a customer default while it was under contract to purchase uranium or conversion services.

While there are a small number of buyers for uranium and conversion services, there are also a small number of suppliers. As such, customers have limited opportunity to exclude the major producers from their contracting activities.

In 2004, the most recent data available by producer, world production was 105 million pounds U_3O_8. Eight producers including Cameco provided more than 80% of this production. World production for 2005 is estimated at 108 million pounds, up 3% from 2004, largely as a result of incremental increases in production at existing mines. Cameco accounted for 20% of world production in 2005.

There are four significant producers of UF_6 conversion services in the western world. Cameco controls almost 40% of the production capacity.

Zircatec

Sales to Bruce Power represent almost all of Zircatec's sales. There are two suppliers of Candu fuel bundles and Cameco owns one of them. The capacity of the two producers currently exceeds demand but neither producer alone can supply all of the demand. As such, the buyers have a vested interest in ensuring both fuel suppliers remain in business.

Bruce Power

BPLP also relies on some major customers for its electricity sales. During 2005, electricity revenue from one customer of BPLP represented about 11% of BPLP's total revenue.

In Ontario, during periods of peak demand there is a shortage of electrical generation capacity and BPLP is well positioned as a baseload supplier and has the capacity to supply about 17% of Ontario's electricity.

RESERVE ESTIMATES

Our uranium reserves are the foundation of the company and fundamental to our success. Uranium reserves and resources are estimated on a number of variables and assumptions, including geological interpretation, commodity prices and operating and capital costs. If our reserves or resource estimates are inaccurate or reduced in the future, it could have an adverse impact on our future cash flows and earnings. For example, if there are fewer reserves at any site, our future earnings would decrease from reduced sales and higher depreciation costs. Depreciation of mine assets is generally calculated over the mine life. A decrease in actual reserves could decrease the mine life, which would result in increased depreciation expenses over the same period of time.

The mine life at McArthur River is not at risk as it has more than 20 years of reserves at the current production level. At Rabbit Lake, the current reserves sustain mill production until 2007. We are seeking to extend the mine life by conducting exploration drilling near the mine and have been successful in the past. At the Kumtor gold mine, the mine life has been extended by almost three years to 2013. The Boroo gold mine life has been extended by one year to 2011.

Cigar Lake is scheduled to come into production in 2007. After a ramp-up period of up to three years, Cigar Lake is expected to produce 18 million pounds U_3O_8 annually. At the end of 2005, Cigar Lake had 231.5 million pounds of proven and probable reserves. Cameco's share of production and reserves is 50%.

Inkai is expected to start commercial production in 2007. We expect Inkai to ramp-up to full production of 5.2 million pounds U_3O_8 per year by 2010. At the end of 2005, Inkai had 114.4 million pounds of proven and probable reserves. Cameco's share of production and reserves is 60%.

We have had two reserve reclassifications at McArthur River in 2003 and 2005. As discussed in the "Uranium Business" section of this MD&A, we are considering using the boxhole boring mining method rather than raise boring in upper zone #4 because it will allow development from a preferred location. Until Cameco has fully developed and tested the boxhole boring method, there is uncertainty in the estimated productivity. As a result, Cameco reclassified 108.2 million pounds U_3O_8 from proven to probable reserves at McArthur River (Cameco's share is 75 million pounds) in 2005. Cameco does not expect this change to significantly impact its long-term production plans. Production from this zone is scheduled to begin in 2012.

In addition, the revisions to the proposed mining plan for the upper zone #4 and re-interpretation of a small portion of zone #2 resulted in a decrease of 12.9 million pounds U_3O_8 (Cameco's share is 9 million pounds) in proven reserves at McArthur River in 2005.

In 2003, we reclassified 51.8 million pounds U_3O_8 of proven to probable reserves at McArthur River. (Cameco's share is 36 million pounds). Cameco decided to review the reserves classification because of the uncertainty associated with the productivity of using other mining methods at McArthur River. We were considering, on a conceptual basis, using jet boring and boxhole boring mining methods. We have tested jet boring at Cigar Lake and boxhole boring at Rabbit Lake and Cigar Lake with successful results. Jet boring and boxhole boring have not been tested locally at McArthur River and for that reason the reserves were reclassified from proven to probable.

Reserve estimates are based on our knowledge, mining experience and analysis of drilling results. We estimate reserves and disclose them in a manner that conforms to industry practices and applicable regulations including National Instrument 43-101.

While we believe the reserve and resource estimates included are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon geological and statistical inferences which may ultimately prove inaccurate.

LABOUR RELATIONS

Cameco has unionized employees at its McArthur River mine, Key Lake mill and Port Hope conversion and fuel manufacturing facilities. The collective agreement for unionized employees at McArthur River and Key Lake expired on December 31, 2005. Cameco and union representatives are currently negotiating a new long-term agreement. The collective agreement covering unionized employees at the Port Hope conversion facility was ratified after a seven-week strike in 2004 and will expire on June 30, 2007. This strike resulted in a significant loss of planned UF_6 and UO_2 production. The collective agreement covering the unionized employees at Zircatec expires on June 1, 2007.

BPLP has 3,700 employees and most of them are unionized. The Power Worker's Union's collective agreement expires December 31, 2006. The Society of Energy Professionals' collective agreement, which began January 1, 2005, expires December 31, 2009. Under the 2005 restructuring agreements, all employees remain with BPLP and all employee costs are apportioned between BPLP and BALP.

The Kumtor mine is unionized and all of Centerra's national employees in the Kyrgyz Republic are subject to a collective agreement between the Kumtor Operating Company (KOC) and the Trade Union Committee. Centerra's labour relations to date have been generally good and there have been no work stoppages due to labour disputes. However, the Trade Union Committee has recently demanded substantial additional compensation and alleged violations of labour legislation by KOC. KOC does not believe that the Trade Union Committee's position has merit. However, KOC is in discussions with the Trade Union Committee with a view to resolving the outstanding issues amicably. The collective agreement expires at the end of 2006.

We cannot predict at this time whether we will be able to reach new collective agreements with our unionized employees without a work stoppage. Any lengthy work disruptions could affect our earnings adversely.

COUNTERPARTY RISK

Cameco's sales of uranium, conversion and fuel manufacturing services expose the company to the risk of non-payment. We manage this risk by monitoring the credit worthiness of our customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. As of December 31, 2005, about 4% of Cameco's forecast revenue under uranium and conversion services contracts, for the period 2006 to 2008, 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 Russian HEU commercial agreement and Springfields toll-conversion agreement, exposes the company to the risk of the supplier's failure to fulfill its delivery commitment.

MARKET RISKS

PRODUCT PRICES

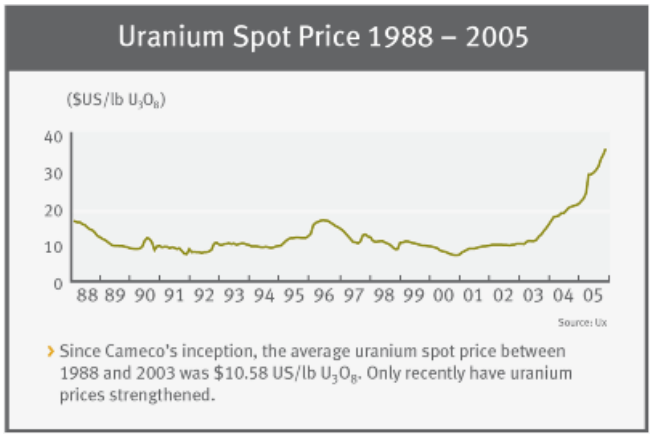
As a significant producer and supplier of uranium, nuclear fuel processing, gold and electricity, Cameco bears significant exposure to changes in prices for these products. A substantial downturn in prices will negatively affect the company's net earnings and operating cash flows. Prices for our products are volatile and are influenced by numerous factors beyond the company's control, such as supply and demand fundamentals, geopolitical events and, in the case of electricity prices, weather.

Uranium

Uranium spot prices have mostly been in a downturn since the company was formed in 1988. Beginning mid-2003, the uranium price increased rapidly, primarily as a result of market participants recognizing that secondary supplies would contribute less to future supply than anticipated. The following graph shows the month-end uranium spot prices since 1988 in current (i.e. non-inflation adjusted) dollars.

Deliveries under new contracts typically do not begin for up to four years. As a result, many of the contracts in our current portfolio reflect market conditions when uranium prices were significantly lower. Cameco's current contract portfolio has limited sensitivity to further increases in the spot price over the next three years. For information on Cameco's sensitivity to spot prices, see "Uranium Price Sensitivity 2006" and "Uranium Price Sensitivity Analysis 2006 to 2008" in this MD&A.

Our strategy for reducing our exposure to volatility in uranium prices is to maintain a long-term contract portfolio that is diversified by price mechanism and delivery date. About 60% of Cameco's contract portfolio has been priced in relation to a market price (spot or long term) mechanism. Currently, we have been securing attractive floor prices, which provide significant downside protection in the



future. The remaining 40% has been sold at a fixed price (usually adjusted for inflation) over the term of the contract. Today, new contracts tend to reflect contract terms of up to 10 years or more. For more information on uranium contracting, see "Uranium Strategies" in this MD&A.

Conversion Services

The majority of our conversion sales are at fixed prices with inflation escalators. In the short term, Cameco's financial results are relatively insensitive to changes in the spot price for conversion. The newer fixed-price contracts generally reflect longer-term prices at the time of contract award. Therefore, in the coming years, our contract portfolio will be positively impacted by higher fixed-price contracts.

Bruce Power

Similarly, Bruce Power reduces price volatility by committing sales under fixed-price contracts. BPLP has 13 TWh sold under fixed-price contracts for 2006. This would represent about 50% of Bruce B's generation at its planned capacity factor. A $1.00 per MWh change in the spot price for electricity in Ontario would change Cameco's after-tax earnings from BPLP by about $3 million.

In addition, the Bruce Power restructuring agreement provides for a floor price of $45.00 per MWh (escalated by inflation) for the electricity sold into the spot market. The floor price extends to 2019. The floor price has a true-up mechanism, which is settled on a monthly basis with a contingent support payment. The aggregate of contingent support payments is tracked, so that if in the following year(s), the market price exceeds the floor price, Bruce Power would have to pay back the difference between the market and floor price, up to a value not exceeding the current contingent support payment balance. If a repayment is made, this amount is then subtracted from the contingent support payment balance.

Gold

Centerra is totally exposed to the fluctuations in the spot market for gold. Centerra plans to leave its gold production unhedged due to the strong industry fundamentals which it expects to continue to put upward pressure on price.

The average spot price for gold increased to $445 per ounce in 2005 compared to $409 per ounce in 2004. For 2006, a $25.00 (US) per ounce change in the gold spot price would change Cameco revenue by about $21 million (Cdn), cash flow by about $20 million (Cdn) and net earnings by about $9 million (Cdn).

FOREIGN EXCHANGE RISK

Cameco sells most of its uranium and conversion services in US dollars while most of its uranium and conversion services are produced in Canada. As such, these revenues are denominated mostly in US dollars, while production costs are denominated primarily in Canadian dollars. As a result, Cameco's earnings are negatively affected by a strengthening Canadian dollar. During 2005, the Canadian dollar strengthened against the US dollar from $1.20 at December 31, 2004 to $1.17 at December 31, 2005.

We attempt to provide some protection against exchange rate fluctuations by planned currency hedging activity designed to smooth volatility. Therefore, our uranium and conversion revenues are partly sheltered against increases in the Canadian 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 this protection, the influence on earnings from purchased material in inventory is likely to be dispersed over several fiscal periods and is more difficult to identify.

For more information on our foreign currency hedging program, see the "Foreign Exchange" section under "Uranium Business" in this MD&A.

Our foreign currency hedging program in 2005 provided an incremental $62 million in Canadian dollar revenue. After deducting carrying charges and income taxes, this resulted in an additional $31 million of net earnings.

For 2006, every one-cent change in the US to Canadian dollar exchange rate would change net earnings by about $4 million (Cdn).

POLITICAL RISKS

POLITICAL INSTABILITY 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. All three countries are developing countries that have experienced political and economic difficulties in recent years. Cameco's operations and assets are subject to potential risks from actions by governmental authorities or internal unrest.

Losses due to political instability could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition. The company has made an assessment of the political risk associated with each of its foreign investments and has purchased political risk insurance to partially mitigate losses.

In looking at political risk in the Kyrgyz Republic, Mongolia and the Republic of Kazakhstan, we have made reference to the Index of Economic Freedom. The Heritage Foundation, a US research and educational institute, in partnership with the Wall Street Journal, publishes the Index of Economic Freedom. The report is an in-depth analysis of 50 independent variables that contribute most directly to economic freedom and prosperity. The index measures factors such as corruption, trade barriers, fiscal burden of governments, rule of law and health, safety, environment and labour regulations in 161 countries. Cameco believes this analysis helps to quantify political risk in developing countries.

Kyrgyz Republic

The 2006 Index of Economic Freedom categorizes the Kyrgyz Republic as "Mostly Free," with a rank of 71 out of 161 surveyed countries. The Kyrgyz Republic has opened most of its economy to foreign investment and has adopted guarantees, consistent with international standards, against expropriation or nationalization.

To mitigate risk, when Cameco restructured its gold assets into Centerra, Kyrgyzaltyn, a Kyrgyz joint stock company whose shares are 100% owned by the government of the Kyrgyz Republic, agreed to retain an ownership interest and, today, owns about 16% of Centerra. The president of Kyrgyzaltyn is currently a member of Centerra's board of directors. The agreement also provides that Kyrgyzaltyn will maintain ownership of at least 5% of the outstanding common shares at the time the Kumtor restructuring closed, as long as the Kyrgyz government continues to control Kyrgyzaltyn.

In 2005, the Kyrgyz Republic went through a major change in its political life. On February 28, 2005, the 105 member two-chamber parliament ceased to exist and was replaced by a one chamber parliament with 75 seats. The new one-chamber parliament has broader constitutional powers, with certain powers being relinquished to it by the president. These changes were made pursuant to constitutional referendums which were conducted in 2003.

There was political unrest in the lead-up to the new parliamentary elections, which were held on February 27, 2005. As a result, from February 22 to 26, 2005, the Kumtor mine was unable to move employees and supplies to and from the minesite due to roadblocks on public highways. The roadblocks ceased on February 27, 2005 and normal operations resumed on March 2, 2005, with production unaffected.

The parliamentary elections precipitated additional unrest, and on March 24, 2005, President Askar Akayev, who had first been elected to that position in 1990, resigned under allegations of election fraud. The newly elected parliament designated Mr. Kurmanbeck Bakiyev as the acting president. Subsequently, on July 10, 2005, Mr. Bakiyev won a presidential election and was inaugurated as the president

of the Kyrgyz Republic for a five-year term. Mr Felix Kulov has been appointed the prime minister.

Following the ouster of President Akaev, the new government began various investigations into the activities of the prior government and former President Akaev's assets. Centerra's wholly-owned Kyrgyz subsidiary, Kumtor Gold Company (KGC), was included in the list of assets subject to inquiry by a special commission formed for this purposed on April 18, 2005. The commission published a report in June 2005 on its findings that did not contain any allegations against Centerra or its subsidiaries.

The State Audit Chamber of the Kyrgyz Republic was asked by the previous parliament to provide clarification to it with respect to the Kumtor restructuring in 2004. In April, 2005, KGC was requested to provide information with respect to the restructuring. KGC agreed to assist the Chamber in its review. Subsequently, in June 2005, the attorney general's office requested documents from the KOC and Centerra as part of a criminal investigation into the alleged abuses of power or authority by officers of the Kyrgyz government, Kyrgyzaltyn, KGC and KOC. The investigation was based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra responded co-operatively to these requests. Centerra stated publicly that it was not aware of any basis for allegations of criminal conduct, and noted that the Kumtor restructuring had been approved by government decree and was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring.

None of these inquiries and investigations have resulted in any material negative effect on Kumtor, and to Centerra's knowledge, are inactive or are currently not being pursued by the Kyrgyz authorities. President Bakiyev and Prime Minister Kulov have also stated on several occasions that the Kyrgyz Republic will honour its agreements with Kumtor and Centerra. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of political debate.

Although the election of Mr. Bakiyev as president and the appointment of Mr. Kulov as prime minister brought a measure of stability to the Kyrgyz Republic following the events of March, 2005, the political situation in the country continues to evolve. There continues to be a risk of future political instability.

In July 2005, protesters, in an action related to the 1998 cyanide spill, illegally blocked access to the Kumtor mine alleging, among other things, a lack of compensation from the Kyrgyz government. In response to the roadblock the government created a State Committee to inquire into various aspects of the Kumtor operations and the consequences of the spill. Based on the inquiries of the State Committee, the government issued a decree in September, 2005, requesting, among other things, that certain government agencies enter into negotiations with KOC and ask that KOC provide new funds to compensate local residents. Throughout these negotiations KGC's position continued to be that the settlement agreement was a final settlement of all claims and that any new compensation was the responsibility of the government.

On November 14, 2005 there was a further illegal roadblock by protesters that blocked access to the mine. This roadblock was lifted on November 21, 2005 after further negotiations among the protesters, the government and KGC. As a result of these negotiations, the government acknowledged its responsibility for any new compensation relating to the spill. To assist the government in fulfilling its responsibilities, KGC agreed in principle to make interest-free advances of approximately $4 million (US) to the government.

In December, 2005, Centerra advanced $1 million (US) of this amount to the Issyk-Kul Social Fund. This money was distributed to members of the local communities by a committee created by the government to administer the distribution of compensation. This advance will be repaid from regular ongoing contributions made by KGC to the Issyk-Kul Social Fund pursuant to the Investment Agreement. KGC has proposed terms for further advances and their repayment and expects to reach agreement with the government in the near future. However, if the government and KGC are unable to come to an agreement with respect to further advances to fund compensation, there is a substantial risk of further protests and roadblocks.

Mongolia

The 2006 Index of Economic Freedom categorizes Mongolia as "Mostly Free," with a rank of 60 out of 161 surveyed countries. According to the International Monetary Fund, in Mongolia "the Law on Foreign Investment guarantees that foreign investors will not be nationalized and that foreign investors will have the right to dispose of their assets."

In 2000, the Mongolian People's Revolutionary Party ("MPRP") won a strong majority in the Mongolian legislature. It continued many of the reform policies and focused on social welfare and public order priorities. In the June 2004 election the MPRP lost its majority but regained it in January, 2005 when several members of the coalition government joined the MPRP to form a coalition cabinet. Presidential elections were held in May 2005, and Mr. Enkhbayar from the MPRP was elected in the first round of voting. In late-2005, the coalition cabinet dissolved, and in early-2006, the Government was reformed and is now dominated by members of the MPRP.

Mongolian minerals legislation is principally governed by the Minerals Law of Mongolia (the "Minerals Law"), which

was enacted in 1997. The Minerals Law provisions apply to activities and relationships with respect to the exploration for and mining of all types of mineral resources other than water, petroleum and natural gas, although there are other legislative enactments that apply to minerals. In mid-2005, the government was considering proposals to amend the Minerals Law. These proposals had the potential to affect negatively the investment climate for the mining industry, especially foreign investors. The proposals principal effect would have been on new projects rather than existing projects, such as Centerra's Boroo project. It is not clear whether the newly formed government will proceed with any or all of these proposals, and if the government does proceed, whether they will have a negative effect on the Boroo or Gatsuurt projects.

The foreign investment climate in Mongolia and Kyrgyz Republic appear to be gradually improving, however to partially mitigate losses, Centerra continues to purchase political risk insurance.

Republic of Kazakhstan

According to the 2006 Index of Economic Freedom, Kazakhstan is categorized as "Mostly Unfree", with a rank of 113 out of 161 countries surveyed. The index also noted that Kazakhstan was among the 10 most improved countries. To mitigate risk at our Inkai project, we formed a strategic alliance, through a joint venture, with KazAtomProm, a state-owned entity of the Republic of Kazakhstan. Cameco has agreed to provide funding of up to $100 million (US) to the Joint Venture Inkai for project development. We have also agreed to invest at least $4 million (US) over the next four years on sustainable development activities. To date, the Kazakhstan government has supported the project. In the event of a dispute arising at our foreign operations at Inkai, the dispute will be submitted to international arbitration. Cameco also continues to purchase political risk insurance to partially mitigate losses.

Cameco and Centerra practise the principles of sustainable development — to be a leader in business ethics, workplace safety, environmental protection and community economic development. As a result, we believe our commitment to sustainable development will further enhance our goal of becoming a partner of choice for governments and state owned enterprises where we operate.

RESTRUCTURING OF ONTARIO'S ELECTRICITY INDUSTRY

Through Cameco's investment in BPLP, we are exposed to various business risks associated with the generation and marketing of electricity. In Ontario, political risk results from uncertainty over the future direction of government energy policies. BPLP sells electricity into the wholesale spot market and the contract market.

In Ontario, the retail and wholesale power markets were deregulated in May 2002. Due to a number of factors, including weather, electricity spot prices climbed to an average of $83.00 per MWh in September 2002 compared to an average price before deregulation of about $38.00 per MWh. In response, the Ontario government abandoned the deregulation of the retail electricity market and froze retail market prices at $43.00 per MWh for smaller consumers. In April 2004, a new pricing plan was implemented which fixed the first 750 kWh of consumption at $47.00 per MWh and monthly consumption above that level at $55.00 per MWh. More recently, the government has moved to gradually introduce the "true cost" of electricity into the retail market using an annual adjustment mechanism.

To mitigate price increases, the government has caused its provincially owned utility OPG to provide fixed rates for large industrial electricity users to allow them a transition to a market rate.

In 2005, the government set an average price of $45.00 per MWh on the output of OPG's regulated assets, which include OPG's baseload nuclear and large hydro plants. The new prices took effect on April 1, 2005 and will stay in place until the Ontario Energy Board sets new prices, no earlier than March 31, 2008. The government also set a new price limit of $47.00 per MWh on most of the output from OPG's unregulated assets, which include 85% of OPG's coal fired and smaller hydro operations that are not included in its regulated assets. The price limit was to act as a transitional measure from April 1, 2005 to April 30, 2006.

In February 2006, the Ontario government extended the transition rate for OPG's unregulated assets for three years (2006 to 2008). The rate per MWh will be $46.00, $47.00 and $48.00 in each of the three years. Bruce Power expects this action may depress the wholesale contract market, which remains unregulated. BPLP sells all of its production into the wholesale contract and spot markets. Given the constant struggle between encouraging new supplies of electricity and providing low electricity costs to users, uncertainty for Ontario electricity generators continues.

BPLP engages in risk management activities, including trading of electricity and related contracts to mitigate these risks. BPLP receives a reliable stream of revenue from fixed price contracts. Approximately 48% of BPLP's output was sold under fixed-price contracts in 2005. BPLP also sells electricity on the open spot market. Prices are determined by bids from suppliers and buyers that reflect changes in supply and demand by the hour. In addition, the Bruce Power restructuring agreement provides for a floor price of $45.00 per MWh (escalated by inflation) for the electricity sold by the Bruce B reactors into the spot market.

There is a risk that the Ontario government could regulate the wholesale market in the future. This would limit the upside potential for BPLP's revenue. Given the shortage of generating capacity in Ontario, the need to attract new investment and recent market structure changes made by the government, we believe the risk that the wholesale market will be regulated is low. Ontario imported 11 TWh in 2005, up from the previous year when imports totalled 9.7 TWh. The IESO is responsible for managing Ontario's bulk electricity system and operating the wholesale electricity market.

Ontario's demand for electricity continued to increase. Ontarians consumed a total of 157 TWh, an increase of just over 2% from 2004. This is partly due to increased load from air conditioners during the hot summer.

In February 2006, the IESO issued its first Ontario Reliability Outlook, which reports on progress of the inter-related generation, transmission and demand projects underway to meet future reliability needs of the province. The IESO noted that, "aging generating units, constraints on the transmission system, under investment in the past decade, the continued growth in demand, and the provincial government's coal replacement plan are factors contributing to the need for new facilities and increased demand response."

OPERATIONAL RISKS

OVERVIEW

Cameco's businesses are subject to a number of operational risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents; fires; blockades or other acts of social or political activism; changes in the regulatory environment; impact of noncompliance with laws and regulations; natural phenomena; encountering unusual or unexpected geological conditions; and technological failure of mining methods.

We also contract for the transport of our uranium and uranium products to refining, conversion, fuel manufacturing, enrichment facilities and nuclear facilities in North America and Europe, as well as processing facilities in Kazakhstan, which exposes the company to transportation risks. The potential risk is damage to the environment from a transportation incident, which results in a spill of product. We may be held liable as owner of the product. This could damage our reputation, which could make it more difficult to ship our products.

Although we maintain insurance to cover some of these risks and hazards in amounts we believe to be reasonable, this insurance may not provide adequate coverage in all circumstances.

ENGINEERING AND TECHNICAL

Water Inflow

Due to the unique geological conditions of the deposits at McArthur River and Cigar Lake, some technical challenges exist, including the potential inflow of water into a mine. In April 2003, a water inflow into the McArthur mine suspended mining for nearly three months. Similar difficulties could result in lower uranium production levels. Our sales were not impacted as we made deliveries from inventory and purchased uranium. The impact to net earnings was an increase in costs of $24 million to rehabilitate the mine. As a result of the water inflow, we significantly increased our pumping and water treatment capacity which resulted in increased expenditures of almost $19 million.

Cameco has operational controls in place to reduce this uninsurable risk including detailed procedural training for all employees, equipment inspections and testing, weekly inspections by our engineers, quarterly third-party inspections by engineering consultants and, in the Cigar Lake mine design, the incorporation of watertight bulkheads.

Jet Boring Mining Method
At Cigar Lake, the major technical factors influencing the mining method selection include ground stability, control of groundwater, radiation exposure, and ore handling and storage. Various studies on ground conditioning and nonentry mining methods were conducted. A decade-long test mine program resulted in the selection and validation of the jet boring mining method.

The overall test mine program was considered successful with all initial objectives fulfilled. However, as the jet boring mining method is new to the uranium mining industry, the potential for unforeseeable technical challenges exist. We are confident that our engineers will be able to solve the challenges that may arise during the initial ramp-up period, but failure to do so would have a significant impact on Cameco. We could experience a delay in production startup, which would result in the delay of sales and revenue. Costs would likely rise as we examined solutions to deal with the technical challenges. Given that we cannot foresee what these solutions might be, we cannot predict the costs at this time.

Boxhole Boring Mining Method

We are testing the effectiveness of using the boxhole boring method at McArthur River to mine parts of the orebody. While we have confidence our engineers will be able to successfully test this mining method, failure to do so could significantly impact the company. We could see a decrease in production, which would result in a loss of sales and revenue.

Kumtor Highwall Ground Movement

The current pit design is a response to the pit wall failure in 2002 at the Kumtor mine, also referred to as the “highwall ground movement,” which resulted in the temporary suspension of operations. While some ground movement is common, this was a 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 a high-grade zone was rendered temporarily inaccessible to mining. As of December 31, 2004, the entire area affected by the highwall ground movement had 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. 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 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.

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 about 300 metres and a wall height of about 200 metres. This area has now been mined out. In February 2006, additional minor movement was detected. Remedial recommendations of Centerra’s geotechnical consultants have been implemented. Kumtor will continue to closely monitor the southeast wall.

RECLAMATION AND DECOMMISSIONING

The company 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 2005, the total estimate was $239 million, which is the undiscounted value of the obligation. Most of these 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 decommissioning and reclamation costs are expected to be incurred over the next five years. See note 7 to the consolidated financial statements.

At the end of 2005, Cameco’s accounting provision for future reclamation costs totalled $168 million, which represents the present value of the $239 million mentioned above. To provide financial assurances for these costs, Cameco has provided letters of credit, where required. Cameco’s LOCs totalled $207 million at the end of 2005, of which $203 million was related to reclamation and decommissioning activities.

Since 2001, all Cameco’s North American operations have in place LOCs 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 or renewal of an operating licence.

As part of the upcoming licence renewals for our Port Hope and Blind River operations, we will be reassessing our decommissioning estimates. This could result in the need for additional LOCs to cover the new estimates in 2006 or 2007.

SAFETY, HEALTH AND ENVIRONMENT

Cameco is subject to the normal worker health, safety and environmental risks associated with all mining and chemical processing. In addition, our workforce faces other risks associated with radiation related to uranium mining and milling, and fuel services operations.

Over the last few years Cameco has been implementing a QMS that recently also integrates our environmental management and health and safety management systems. The environmental management system for Cameco’s uranium facilities at McArthur River, Key Lake, Blind River, Port Hope and Crow Butte are each ISO 14001 certified. The Smith Ranch-Highland mine in Wyoming and the Inkai test mine in Kazakhstan are in the process of obtaining ISO 14001 certification.

Monitoring and reporting programs for environmental, health and safety performance in all our operations are in place, to ensure that environmental and regulatory standards are met. For 2005, we invested about $20 million for environmental monitoring, protection, assessment and safety and health programs. Inspections and assessments are also designed to provide these assurances. Contingency plans are in place for a timely response to an environmental event.

ELECTRICITY BUSINESS

The capacity factor is directly related to the operating performance of Bruce Power's generating assets. The 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. 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 unplanned outages for an extended period of time. The impact of lower capacity factor is reduced electricity sales and revenue.

For example, in 2005 we expected Bruce Power's average capacity factor for all six units to be 85% compared to the 80% that was ultimately achieved. This reduction in capacity factor is equivalent to about 2 TWh, which is additional output that could have been sold by Bruce Power. On the other hand, if there is reduced generation capacity available to the market, that will typically cause electricity prices to rise, which can partially offset the loss in sales volume.

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. In 2006, BPLP plans to invest $69 million in sustaining capital.



Disclosure Controls and Procedures

As of December 31, 2005, we evaluated our disclosure controls and procedures as defined in the rules under the US Securities and Exchange Commission and the Canadian Securities Administrators. This evaluation was carried out under the supervision and participation of management, including the president and chief executive officer and the chief financial officer. Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective. No changes were made in our internal control over financial reporting during the year ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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.

Caution Regarding Forward-Looking Information

Statements contained in this MD&A, 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, gold, conversion services and electricity in Ontario; the impact of the change in sales volume of uranium, conversion and fuel manufacturing services, electricity generated by BPLP, and gold produced by Centerra Gold Inc.; the financial results and operations of BPLP and Centerra Gold Inc.; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in production, reserve, decommissioning, reclamation and tax estimates; adverse mining conditions; unexpected geological or hydrological conditions; operating performance (including any disruption thereto) and life of the company's and customers' facilities; reduction in electricity generated due to unplanned outages or planned outages that extend beyond the scheduled period at BPLP's facilities; environmental and safety risks including increased regulatory burdens and long-term hazardous waste disposal; risks associated with the transport of uranium and chemicals and fuel used in the production process; political risks arising from operating in certain developing countries; terrorism; sabotage; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including nuclear energy, environmental, tax and trade laws and policies; demand for nuclear power; failure to replace production; failure to obtain and maintain 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; natural phenomena including inclement weather conditions, fire, flood, underground floods, earthquakes, pit wall failures and cave ins; ability to maintain and improve positive labour relations; strikes or lockouts; 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 report. 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.

Additional Information

Additional information related to the company including Cameco's annual information form is available at sedar.com and cameco.com.



EXHIBIT 99. 4

For fiscal years ended December 31, 2005 and December 31, 2004, KPMG LLP and its affiliates were paid by Cameco Corporation and its subsidiaries the following fees:

	2005	2004
Audit fees:		
Cameco — audit	$ 389,000	$ 386,000
Cameco — securities	100,000	—
Centerra — audit	574,800	400,500
Centerra — securities	—	275,000
	$1,063,800	$1,061,500
Audit — related fees:		
Bruce Power Reorganization	$ 70,000	—
SOX 404 Scoping Project	35,000	$ 75,000
Translation services	10,000	9,000
Accounting disclosure	—	14,000
Pensions and other	7,500	10,700
	$ 122,500	$ 108,700
Tax:		
Compliance	$ 160,400	$ 83,800
Planning and advice	36,400	55,400
	$ 196,800	$ 139,200
All other fees:		
	—	—
Total	$1,383,100	$1,309,400

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 99.5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated January 30, 2006 in the Annual Report on Form 40-F of Cameco Corporation for the year ended December 31, 2005. 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 30, 2006

Chartered Accountants

EXHIBIT 99.6

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2006

/s/ *"Gerald W. Grandey"*

Gerald W. Grandey
President & Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 99.7

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2006

/s/ *"O. Kim Goheen"*

O. Kim Goheen
Senior Vice-President & Chief Financial Officer

EXHIBIT 99.8

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, 2005, 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 17, 2006

EXHIBIT 99.9

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, 2005, 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 17, 2006