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 2006 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:

352,292,632 Common Shares outstanding as of 31 December 2006

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.

Yes o No þ

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.

Yes þ No o

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

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 30th day of March, 2007.

CAMECO CORPORATION

Per: */s/ O. Kim Goheen*
O. Kim Goheen
Chief Financial Officer

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 to be capable of preventing all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) ***Management's annual report on internal control over financial reporting.*** Management, including Cameco Corporation's CEO and CFO, is responsible for establishing and maintaining adequate internal control over Cameco Corporation's financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Cameco Corporation's internal control over financial reporting was effective as of December 31, 2006.

(d) ***Attestation report of the registered public accounting firm.*** Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, was audited by KPMG, LLP, an independent registered public accounting firm, as stated in their report beginning on page Exhibit No. 99.22 of Exhibit No. 99.2 — 2006 Consolidated Audited Financial Statements and their report in Exhibit No. 99.22.

(e) ***Changes in Internal Control Over Financial Reporting***. During the fiscal year ended December 31, 2006, 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, except as follows:

On May 1, 2006, the second implementation phase of an enterprise resource planning application became operational at Cameco's Canadian operations, including the plant maintenance, purchasing, materials management, accounts payable and project systems modules. The first phase, completed as of January 1, 2003, included human resources, payroll and finance modules. Cameco believes that certain changes made to the company's internal control structure, in connection with this implementation, strengthened its internal control structure.

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

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. Since the adoption of the code, there have not been any amendments to the code, nor have there been any waivers, including implied waivers, from any provision of the code.

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 — 2006 Management's Discussion and Analysis and the notes for Exhibit No 99.2 — 2006 Consolidated Audited Financial Statements:

1. **Financial assurances** — in MDA disclosed at Nuclear Electricity Generation Business, Liquidity and Capital Resources, and Risks and Risk Management and disclosed in notes 7, 8, 19 and 24 of the Consolidated Audited Financial Statements.
2. **Derivative instruments** — in MDA disclosed at Uranium Business, Risks and Risk Management, and Critical Accounting Estimates and disclosed in note 25 of the Consolidated Audited Financial Statements.
3. **Long-term product purchase contracts** — in MDA disclosed at Uranium Business and Liquidity and Capital Resources and disclosed in note 24 of the Consolidated Audited Financial Statements.

Tabular Disclosure of Contractual Obligations. Disclosure is contained in Exhibit No. 99.3 — 2006 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.

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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99.2	2006 Consolidated Audited Financial Statements	
99.3	2006 Management's Discussion and Analysis	
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99.6	Certification of Chief Executive Officer pursuant to Rule 13a -14(a) or 15d — 14 of the Securities Exchange Act of 1934	
99.7	Certification of Chief Financial Officer pursuant to Rule 13a — 14(a) or 15d — 14 of the Securities Exchange Act of 1934	
99.8	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
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EXHIBIT 99.1

Cameco Corporation

Annual Information Form

March 30, 2007



Cameco Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2006

Dated March 30, 2007

Cameco Corporation
Annual Information Form
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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, 2006, 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", "plans" and words of similar import may indicate forward-looking statements. Statements that 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 produce the uranium and gold indicated in the company's reserves estimates; failure to replace production from the company's uranium and gold producing properties; 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. These factors should not be construed as exhaustive. 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, 2006 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* below. Estimates of gold reserves and resources were prepared by or under supervision of the qualified person identified at *Centerra Gold Inc.* –

Reserves and Resources below. 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.

For the purpose of estimating uranium reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $38.50 (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 $32.30 (US) per pound U_3O_8 was used. Estimated uranium reserves are the same using either uranium price — with one exception. Cigar Lake estimated mineral reserves are almost the same at either price because of the insensitivity of the mineral reserves to the cut off grade at these two prices.

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 $475 (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 Cameco 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 is 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, 2004 to December 31, 2006 were as follows:

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 (now called “AREVA”), 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.
- 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 (which were executed in 2006), to increase its loan to the joint venture to a maximum of $100 million (US). In 2007, Cameco estimated the capitalized cost to bring the new facility to commercial production at $200 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.

2006

- 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).
- In February 2006, Cameco completed the purchase of 100% of Zircatec Precision Industries, Inc., ("Zircatec") a Canadian manufacturer of nuclear fuel bundles. The purchase price was $109 million.

- In April 2006, Cameco announced a significant water inflow into the second Cigar Lake shaft. The inflow had no impact on other parts of the mine because the second shaft was not connected to the mine. To remediate the inflow, Cameco will freeze the shaft area, subject to regulatory approval.
- In July 2006, Cameco announced that a pitwall ground movement had occurred at the Kumtor mine site, involving a significant portion of the northeast wall. The ground movement did not reduce the amount of reserves; however, it did significantly reduce 2006 Kumtor production. The fallen rock delayed access to the ore from this area of the mine representing about 125,000 ounces of scheduled 2006 production.
- In October 2006, Cameco announced that a second water inflow had occurred at Cigar Lake, filling the underground development areas of the project with water. Production start up was previously planned for early 2008. Cameco has commenced work at Cigar Lake to remediate the underground development areas.
- In November 2006, Cameco announced that unionized employees at its McArthur River and Key Lake uranium operations accepted a new contract, which will expire December 31, 2009.
- In December 2006, Cameco announced that Centerra had reached an agreement on all material terms of a labour agreement with Kumtor unionized employees. The agreement will expire December 31, 2008.
- In December 2006, Cameco announced that its board of directors approved an increase in the annual dividend from $0.16 to $0.20 beginning in 2007.

2007 Expected Material Developments

Significant material developments that, at the date of this Annual Information Form, Cameco expects to occur in 2007, or that have occurred prior to this date, include the following:

- In March 2007, Cameco provided an update on the Cigar Lake project including: (i) production start up is targeted for 2010, subject to regulatory approval and timely remediation; (ii) Cameco's share of capital costs, including mill modifications, to bring Cigar Lake into production is estimated at $508 million including $234 million spent on construction as of March 2007, leaving $274 million remaining; and (iii) Cameco's share of flood remediation expenses is estimated at $46 million.
- Cameco will be negotiating new collective agreements for unionized employees at Zircatec and Port Hope, as their agreements expire in June 2007.

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 2016, 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: (a) uranium exploration; (b) mining and milling; (c) refining and conversion; (d) enrichment; and (e) 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, uranium conversion and enrichment services from third parties; (d) supplying fuel manufacturing services for CANDU reactors; (e) selling produced and acquired uranium and uranium conversion services, as well as acquired enrichment 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 the 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 177 million pounds in 2006. Cameco estimates that annual uranium fuel consumption in the world will reach 239 million pounds in 2016, reflecting an annual growth rate of 3% 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 defence stockpiles and 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, reprocessed used reactor fuel, re-enriched 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 2005 (the latest year for which figures are available), 78% of the estimated world production of 108 million pounds U_3O_8 was provided by seven producers: Cameco, Rio Tinto, AREVA, KazAtomProm, BHP Billiton, TVEL in Russia and NAVOI Mining Metallurgical Kombinat in Uzbekistan. Approximately 93% of estimated world production was sourced from eight countries (in order of production, from greatest to least): Canada, Australia, Kazakhstan, Russia, Namibia, Niger, 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 2005, equivalent to about 28% of world production. Production from Cameco operated mines in Canada and the US in 2006 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 7% of world demand to 2016. Finally, uranium derived from the dismantling of Russian nuclear weapons (expected to be available through 2013 when the current agreement ends) has also become a significant source of supply, expected to meet about 7% of world demand to 2016. A limited

amount of uranium from the US defence program has been introduced into the market in 2006 compared to 2005. Cameco expects about 4% of world demand to 2016 will be met from this 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 2006 was 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 down blending to become available.

In 2006, DOE met with nuclear industry participants to discuss DOE's long-term plans for sales of uranium inventories. DOE indicated it wants to sell its inventory in a manner that does not disrupt the market and supports the nuclear renaissance, and is soliciting input from the industry how to achieve this. DOE presented a hypothetical 10-year sales program that includes sales of about 5 million pounds per year in the 2006 to 2015 time frame, totalling 50 million pounds.

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 US. To the end of 2006, about 229 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 2006, Cameco estimates there was 24 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. In May 2006, the DOC concluded that revocation of the Russian suspension agreement would likely lead to the continuation or recurrence of uranium dumping. In July 2006, the US International Trade Commission concluded that revocation of the Russian suspension agreement would likely lead to the continuation or recurrence of material injury to the US uranium industry. These rulings mean that the Russian suspension agreement will continue and that Russian uranium sales to the US (including the Disarmament Uranium) continue to be limited to the quotas set out in the USEC Privatization Act, as described above under *Uranium from Nuclear Disarmament*.

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 2006, approximately 49% 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 two to five 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, such as discounts, 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. Instead of ceiling prices, some contracts can include a discount off the spot price, where the spot price has increased significantly since the time of contract negotiation. Prices under uranium supply contracts are usually confidential.

Utilities and other market participants 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 2006 decreased slightly to about 33 million pounds U_3O_8 from 36 million pounds U_3O_8 in 2005.

The industry average spot price for U_3O_8, published by TradeTech and the U x Consulting Company, LLC, increased by approximately 98% in 2006 ending the year at $72.00 (US) per pound compared to $36.38 (US) per pound at the end of 2005. The long term average contract price for uranium, as published by TradeTech and the Ux Consulting Company, LLC, increased in 2006 by approximately 99% ending the year at $72.00 (US) per pound compared to $36.13 (US) per pound at the end of 2005.

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 historically contained 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. Recent contracts no longer provide such flexibility. 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 2006, approximately 55% of Cameco's U_3O_8 sales were to five customers. Cameco currently has commitments in excess of 250 million pounds U_3O_8 under long-term contracts with about 45 customers worldwide. Cameco's five largest customers account for approximately 45% of these commitments. 50% of Cameco's committed sales volume is to purchasers in the Americas (US, Canada and Latin America), 13% in the Far East and 36% in Europe.

The base load contracts put in place to support the development of Cigar Lake contain supply interruption language that allows Cameco to reduce, defer or cancel deliveries in the event of any delay or shortfall in Cigar Lake production. Cameco has been discussing with its customers the possible effect of the uranium production delay at Cigar Lake. For the Cigar Lake base load contracts that have deliveries in 2007, these volumes are being deferred to the end of the various contracts. For the remainder of Cameco's contracts that are impacted by supply interruption language in 2007, Cameco plans to defer a portion of the deliveries impacted by this language for a five to seven-year period.

Cameco generally does not sell into the spot uranium market. However, in light of changing market conditions, and particularly high spot demand, Cameco is revisiting its approach. In the future, Cameco may elect to sell material directly into the spot market.

Cameco has purchased uranium under spot and long-term contracts and may make similar purchases in the future. At December 31, 2006, Cameco had firm commitments to purchase approximately 51 million pounds U_3O_8 over the 2007-2013 period, of which 46 million pounds is the result of the exercise of options under the HEU Commercial Agreement by a Cameco subsidiary.

In 2006 Cameco entered into standby product loan agreements with two of its customers. The agreements allow Cameco to borrow up to 5.6 million pounds U_3O_8 equivalent over the period 2006 to 2008, with repayment in 2008 and 2009. Of the material available, up to 1.4 million kilograms of uranium can be borrowed in the form of UF_6. Standby fees of 0.5% to 2.25% are payable based upon the market value of the facilities and interest is payable on the market value of any amounts drawn upon at rates ranging from 4.0% to 5.0%. Any borrowings will be secured by letters of credit and settled in kind. Cameco has not borrowed any material under these agreements. In accordance with accounting standards, Cameco deferred revenues and associated costs on the 2006 sales of 4.0 million pounds to the counterparties under these agreements. Cameco will recognize deferred revenue and associated costs when the term of the agreements end in 2008 and 2009, or if drawn upon, when the loans are repaid and that portion of the loan facility is terminated.

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 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 2007 planned production from its uranium properties (all in pounds U_3O_8):

	2004(1)	**2005**(1)	**2006**(1)	**2007**(1)
McArthur River (2)	13,100,000	13,100,000	13,100,000	13,100,000
Rabbit Lake	5,400,000	6,000,000	5,100,000	5,500,000
Smith Ranch-Highland	1,200,000	1,300,000	2,000,000	1,600,000
Crow Butte	800,000	800,000	700,000	800,000
Total	20,500,000	21,200,000	20,900,000	21,000,000

Notes:

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

(2) Milled at Key Lake.

McArthur River

McArthur River in northern Saskatchewan 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%), AREVA (16.234%) and UEM (27.922%), a company equally owned by Cameco and AREVA. Cameco is the operator. At December 31, 2006, the Company's share of proven and probable reserves was 565,600 tonnes of ore containing 256.2 million pounds U_3O_8 with an average grade of 20.5% U_3O_8, its share of measured and indicated resources was 80,100 tonnes containing 15.0 million pounds U_3O_8 with an average grade of 8.5% U_3O_8, and its share of inferred resources was 408,000 tonnes 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 20 years and a payback period of capital invested of approximately 3 years after 2006.

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, totalling 1,380 hectares. Under this mineral lease Cameco acquired the right to mine this deposit. The current mineral lease expires on 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, totalling 83,438 hectares. 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, AREVA 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%. AREVA'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 environmental impact statement, public hearings, and receipt of approvals from the governments of Canada and Saskatchewan, the Atomic Energy Control Board ("AECB") issued construction licences for McArthur River in August 1997 and May 1998. In October 1999, Cameco received an operating licence from federal authorities and operating approval from provincial authorities.

Mine Development

Construction and development of the McArthur River mine was completed on schedule and mining commenced in December 1999. 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 underground exploration drill holes have been interpreted and estimates of reserves have been made in four mineralized zones. In addition to this drilling, hundreds of freeze holes and raisebore pilot holes have provided data supporting the interpretation.

Underground drilling programs have further delineated approximately 700 metres of the 1,700-metre mineralized zone delineated by surface drilling. Underground delineation drilling is ongoing south of the current four mineralized zones. Surface exploration drilling is also on-going to the north to test the extension of mineralization previously identified from historical surface drill holes and to also test new targets along strike.

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

Three 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” and a “Permit to Operate Waterworks” from Saskatchewan Environment (“SE”). These permits are current. The CNSC licence expires on October 31, 2008. The SE approvals expire 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 generally prevented 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.

Cameco is working on the transition to new mining zones at McArthur River, including mine planning and development Cameco has commenced freeze hole drilling for two future mining zones. For more details, please see the Company’s 2006 Management Discussion & Analysis at page 26 under the heading “Transition to new Mining Areas.”

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.

In 2005, Cameco determined that the boxhole mining method would be better suited for the upper zone #4 at McArthur River, because it would allow for development from a preferred location and in 2006 work progressed on planning for this method. Cameco plans to develop and test the boxhole boring method over the next four years. Cameco has completed the mine plan for the boxhole boring test area for development in 2007 and 2008 and placed an order for a boxhole borer for delivery in 2008. Mine development for the test area is planned to take place during 2007 and 2008. During this time, Cameco will continue to develop detailed plans for this mining method.

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 AREVA. In 2006, 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. Average mill metallurgical recovery for 2006 was 98.8%.

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.

Three 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" and "Permit to Operate Waterworks" from SE. These permits are current. The CNSC licence expires on October 31, 2008. The SE approvals expire on November 30, 2009.

Cameco has applied to increase the annual licence capacity at both the McArthur River mine and the Key Lake mill to 22 million pounds U_3O_8 per year (compared to the current 18.7 million pounds). This application has been undergoing a screening level environmental assessment (EA) under the *Canadian Environmental Assessment Act* (CEAA) with the CNSC as the responsible authority. The CNSC has focused on an evaluation of the longer-term environmental impacts of low levels of selenium and molybdenum in the Key Lake mill's effluent and concentrations of these substances in the downstream environment. Cameco has finalized a three phase action plan to reduce discharges of selenium and molybdenum in the mill's effluent. This plan has been accepted by the CNSC and the Key Lake license has been amended by the CNSC in March 2007 to include a licence condition requiring Cameco to implement this plan. Cameco expects the parallel work on reducing these metals in the mill's effluent will advance consideration of the proposed capacity increase. While Cameco cannot predict the outcome of the EA, it is clear the increase in the annual licensed capacity will be delayed for some time.

Cameco has commenced a pre-feasibility assessment to revitalize the Key Lake mill, which began production in 1983. As Cameco plans to continue to mill McArthur River ore at Key Lake and to increase mill capacity, investment in the Key Lake mill is required. Revitalization of the mill will include upgrading the circuits to new technology for simplified operation, increased production efficiency and improved environmental performance.

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 located within 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 this TMF. Conversion started immediately. Flooding commenced in June 1999.

Currently approved capacity of the Deilmann TMF is sufficient to operate at current production rates for approximately 10 years, assuming only minor storage capacity losses due to sloughing from the pit walls. Cameco has initiated the necessary work to achieve regulatory approval for a final higher tailings elevation that will be sufficient to hold all tailings generated from processing of McArthur River reserves. This higher final tailings elevation was incorporated conceptually in the environmental assessment process which granted approval to develop the McArthur River mine, but the detailed technical analysis to support formal regulatory acceptance of the expansion has not yet been completed.

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. The dilution of the high grade ore serves three purposes: recovery of uranium from the low grade waste, control radiation exposures in the mill, and final disposal of the low grade waste. The remaining waste rock stockpiles will require decommissioning upon site closure. As a condition of Cameco's CNSC licence renewal in 2004, the Company updated the CNSC on the decommissioning plan 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 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 below at *Uranium Concentrates Business-Reserves and Resources*. The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions
   (a) Continuity of quality and quantity of uranium mineralization between sampled areas.
   (b) Water control measures are effective at preventing water inflow.
   (c) The reported mineral reserves includes provisions for dilution or mining recovery.
   (d) The reported mineral resources do not include allowances for dilution and mining recovery.
   (e) For the purpose of estimating mineral reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of $38.50 (US) per pound U_3O_8 was used. For the purpose of estimating mineral reserves in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of $32.30 (US) per pound U_3O_8 was used. Estimated mineral 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) Mineral 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/or 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) Mineral reserves are defined as the economically mineable part of the indicated and measured mineral resources. Only mineral reserves have demonstrated economic viability. The amount of reported mineral resources does not include amounts identified as mineral reserves.

Although Cameco believes that McArthur River mineral reserve and resource estimates will not be materially affected by external factors, such as: water inflows and rock falls; 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 mineral 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 in northern Saskatchewan 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, Eagle Point Mine mineral reserves are forecast to be depleted in 2011. The diamond drilling exploration program will continue through 2007 with the objective to further extend the mine life beyond 2011. The mineral reserve and resource estimates for Rabbit Lake are found below 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 2006 drilling results have increased the mineral reserves to 19.1 million pounds of proven and probable reserves. Prospects for additional mineral reserves have been identified. Targets for exploration include areas both north and south of the current mine workings and at depth. Cameco is conducting this exploration from both surface and underground in an attempt to further extend the mine life. An extensive lateral development program to access the additional mineral reserves will continue for the next few years. Development of mine workings in 2006 totalled 4.3 km and underground exploration drilling was 68.5 km; similar quantities are planned for 2007.

There are three 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” and a “Permit to Operate Waterworks” from SE. These permits will expire on October 31, 2008.

Subject to regulatory approval, after an initial two year mine ramp up period, it is expected that the Rabbit Lake mill will process just over one-half of the uranium solution resulting from the milling at AREVA’s JEB mill of the current Cigar Lake reserves. An environmental assessment relating to this uranium solution processing at Rabbit Lake (including the expansion of the RLITMF as described below), was submitted to the regulatory authorities in November 2006.

Subject to regulatory approval, Cameco plans to complete the majority of the mill modifications by the end of 2010. In addition, a significant mill upgrade for long term operation is planned. The processing of Cigar Lake uranium rich solution at Rabbit Lake is governed by a toll milling agreement made effective January 2002 between Cameco and the Cigar Lake Joint Venture. (See *Cigar Lake – Toll Milling Agreements* below*)*.

Cameco has determined that the Rabbit Lake In-Pit tailings management facility (“RLITMF”) will require expansion laterally and vertically in order to store tailings from the processing of Eagle Point ore and Cigar Lake uranium rich solution at Rabbit Lake. The existing approved tailing capacity at the RLITMF is sufficient to store tailings from the processing of Eagle Point ore until 2010. Although there was sufficient capacity in RLITMF for Cigar Lake tailings when the Rabbit Lake toll milling agreement was originally signed, unexpected production from the Eagle Point mine as a result of mine life extensions have consumed some of the existing tailings capacity planned for Cigar Lake uranium solution processing. Cameco is working with the regulators to determine the form and nature of any approvals required for the expansion of the RLITMF.

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 below 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 below 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 northern Saskatchewan. In December 2004, the Cigar Lake Joint Venture ("CLJV") decided to proceed with development of the Cigar Lake mine. Cameco is targeting commencement of production at Cigar Lake for 2010.

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. Cameco is targeting commercial production at Inkai for 2008.

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

Cigar Lake

Cigar Lake is the world's second largest known high-grade uranium deposit. Cigar Lake is owned by joint venture partners Cameco (50.025%), AREVA Resources Canada Inc. ("AREVA") (37.1%), Idemitsu Canada Resources Ltd. ("Idemitsu") (7.875%) and TEPCO Resources Inc. ("TEPCO") (5.0%). Cameco is the operator. As of March 16, 2007, Cameco's share of the Cigar Lake proven mineral reserves was 248,500 tonnes of ore containing 113.2 million pounds U_3O_8 with an average grade of 20.7% U_3O_8; of the indicated mineral resources was 30,500 tonnes of ore containing 3.3 million pounds U_3O_8 with an average grade of 4.9% U_3O_8; and of the inferred mineral resources was 158,500 tonnes containing 59.1 million pounds U_3O_8 with an average grade of 16.9% U_3O_8.

In December 2004, the CLJV decided to proceed with development of the Cigar Lake mine. A construction licence for Cigar Lake was issued by the CNSC on December 20, 2004. Construction of the Cigar Lake project began in January 2005. Construction has been delayed due to the two water inflow incidents that occurred in 2006. (See *2006 Water Inflow Incidents* below). The first incident in April 2006 resulted in the flooding of the second shaft. The second incident in October 2006 resulted in the flooding of the underground development areas. In November 2006, Cameco commenced work at Cigar Lake to remediate the underground development areas.

A technical report entitled "Cigar Lake Project, Northern Saskatchewan, Canada" dated March 30, 2007 (the "Cigar Lake Report") was prepared for Cameco in compliance with NI 43-101 by Alain G. Mainville, P. Geo., Director, Mineral Resources Management at Cameco, Barry W. Schmitke, P. Eng., General Manager, Cigar Lake Project at Cameco, Douglas G. McIlveen, P. Geo., Chief Geologist, Cigar Lake Project at Cameco and Charles R. Edwards, P. Eng., Director, Engineering and Projects at Cameco. Messrs. Mainville, Schmitke, McIlveen, and Edwards are qualified persons as the term is defined in NI 43-101. The following description of the Cigar Lake Project is based on and, in some cases directly extracted from, the Cigar Lake Report. A copy of the Cigar Lake Report can be obtained from SEDAR at www.sedar.com. Conclusions, projections and estimates set out in this Annual Information Form regarding Cigar Lake are subject to the qualifications, assumptions and exclusions which are detailed in the Cigar Lake Report. To fully understand the summary information set out below and elsewhere in this Annual Information Form, the Cigar Lake Report filed on SEDAR should be read in its entirety.

Property Description and Location

The Cigar Lake mine site 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 mineral property consists of one mineral lease (ML-5521) and 25 mineral claims (No. S-106540 to 106564 inclusive), totalling 93,048 hectares. The mineral lease and mineral claims are contiguous. The Cigar Lake deposit is located in the area subject to mineral lease ML-5521, totalling 308 hectares. The right to mine this uranium deposit was acquired under this mineral lease. The current mineral lease ML-5521 expires on December 1, 2011 with the right to renew for successive 10-year terms absent a default by Cameco. Mineral lease ML-5521 may not be terminated by the

Government of Saskatchewan except in the event of default by Cameco and for certain environmental concerns prescribed in *The Crown Minerals Act* (Saskatchewan).

Surrounding the Cigar Lake deposit are 25 mineral claims, totalling 92,740 hectares. 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.

There is an annual requirement of $2.3 million either in work or cash to retain title to mineral lease ML-5521 and the 25 mineral claims. Based on previous work submitted and approved by the Government of Saskatchewan, title is secure until 2022.

The surface facilities and mine shafts 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 until May 27, 2037. 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 and approved by the provincial government. The Cigar Lake surface lease covers a total of 959 hectares of Crown land.

The Cigar Lake airstrip is under a separate surface lease covering a total of 17.2 hectares. There is also a surface lease for roadways covering a total of 24.2 hectares. These leases were signed with the province of Saskatchewan in May 1987 and will expire in May 2007. These surface leases are renewable if necessary until full property decommissioning has been achieved and approved by the Saskatchewan Government.

For a description of royalties payable to the province of Saskatchewan on the sale of uranium extracted from ore bodies within the province and taxes, see *Canadian Royalties and Certain Taxes*.

All current mineral reserves and mineral resources are contained within mineral lease ML-5521. Underground workings are confined to a small portion of the area of the mineral lease where initial test mining was concentrated. A total of 53 tonnes of high grade mineralization in bulk bags from the test mining is stored on the surface storage pad.

Waste rock generated at the Cigar Lake mine site is currently stored in one of three waste rock piles on site, depending on the nature of the waste rock. The first of these is the clean waste stockpile, which will remain at the minesite. The second is mineralized waste, contained on a lined pad (>0.03% U_3O_8), which will be disposed of underground at the Cigar Lake mine. No mineralized waste has been identified in the development to date. The third is potentially acid generating waste rock which will be temporarily stored at site on a lined pad and will be eventually transported to the Sue C pit at the McClean Lake facility for permanent disposal. The costs of the eventual disposal of the Cigar Lake potentially acid generating waste rock in Sue C pit is covered by the Potentially Reactive Waste Rock Disposal Agreement between the McClean Lake Joint Venture ("MLJV") and CLJV dated January 1, 2002.

No tailings will be stored at the Cigar Lake site since all ore mined will be transported to the McClean Lake JEB mill and Rabbit Lake mill for processing. As a result, Cigar Lake project tailings will be generated at both the McClean Lake JEB mill and the Rabbit Lake mill. The toll milling agreements as (described below) cover the generation of tailings at the McClean Lake JEB mill and Rabbit Lake mill and manage the financial liabilities associated with these tailings.

Although there was sufficient capacity for the Cigar Lake tailings in the Rabbit Lake in-pit tailings management facility ("RLITMF") when the Rabbit Lake Toll Milling Agreement described below was originally signed, unexpected production, due to mine life extensions, from the Eagle Point mine at Rabbit Lake has consumed a portion of the additional capacity in the RLITMF. Subsequently, it has been determined that the RLITMF will have to be expanded. Cameco is working with the regulators to determine the form and nature of any approvals that would be required for this expansion. The cost of expanding the RLITMF has not been included in the Cigar Lake project capital cost estimates described herein.

A discussion of the permitting required to conduct the work proposed for the Cigar Lake project is described below (See *Development*).

Site Accessibility, Climate, Local Resources, 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. Saskatoon is a major population centre located 660 kilometres south of the Cigar Lake deposit with highway and air links to the rest of North America. An unpaved airstrip is located east of the minesite within the airstrip surface lease, allowing flights to the Cigar Lake property. The water for the industrial activities and the camp comes from nearby Waterbury Lake. A lake, called Cigar Lake, overlies part of the inferred mineral resources. The site is connected to the provincial electricity grid with a 138kV overhead power line. There are standby generators in case of grid power interruption.

Personnel are recruited on a preferential basis: initially from the communities of northern Saskatchewan, followed by the province of Saskatchewan, and then outside to other provinces. The development and construction work is tendered to a number of contractors.

The climate is typical of the continental sub-arctic region of northern Saskatchewan. Summers are short and cool even though daily temperatures can reach above 30°Celsius (°C) on occasion. Mean daily maximum temperatures of the warmest months are around 20°C and only three months on average have mean daily temperatures of 10°C or more. The winters are cold and dry with mean daily temperatures for the coldest month below -20°C. Winter daily temperatures can reach below -40°C on occasion. Freezing of surrounding lakes, in most years, begins in November and breakup occurs around the middle of May. The average frost-free period is approximately 90 days.

Average annual total precipitation for the region is approximately 450 millimetres, of which 70% falls as rain. 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 surface leases grant sufficient rights, subject to regulatory approvals, for mining operations for the current mineral reserves and the lands subject to the surface leases are sufficient for personal accommodation, access to water, airport, site roads and other necessary buildings and infrastructure. 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 30 to 50 metres of overburden. Vegetation is dominated by black spruce and jack pine. Occasional small stands of white birches may occur in more productive and well-drained areas. 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 227 holes and more than 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 CLJV approved a feasibility study and detailed engineering design was initiated. On June 30, 2004, the environmental assessment for construction and operation of Cigar Lake was completed and on December 20, 2004, the CNSC approved the full construction licence for the Cigar Lake project.

In December 2004, the CLJV 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. (See *Mining Operations* below for the current capital cost estimate).

Geological Setting

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. Cigar Lake shares many similarities with these deposits, including general structural setting, mineralogy, geochemistry, host rock association and the age of the mineralization. However, 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 geological setting at Cigar Lake is similar to that at the McArthur River mine in that the sandstone overlying the basement rocks of the deposit contains significant water at high hydrostatic pressure.

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

Mineral lease ML-5521, which covers the Cigar Lake deposit, is surrounded by 25 mineral claims. AREVA is responsible for all exploration activity on these 25 surrounding claims under the CLJV agreements.

Subsequent to the discovery of the Cigar Lake deposit, the majority of exploration activities over the next few years were concentrated on mineral lease ML-5521, which hosts the Cigar Lake deposit, with only moderate activity on the 25 surrounding mineral claims. All exploration activities ceased after the 1986 field season for a period of 12 years, until exploration work on the 25 surrounding mineral claims recommenced in 1999.

The 1999 work program on these claims started with a period of data compilation and review of all the work conducted to date, following which additional exploration was started focussing upon developing further understanding of the Cigar trend and developing knowledge of the large, unexplored parts of the project. Since the inception of exploration activities to the end of the 2006 drilling program, a total of 76 exploration diamond drillholes (totalling 35,285 metres) and an additional 38 shallow drillholes (totalling 2,140 metres) have been completed on these claims.

During the 2006 exploration drilling program, a drillhole located 700 metres east of the Cigar Lake ore body had an intercept with a radiometric grade of 21% U_3O_8 over a vertical thickness of 7.7 metres. An AREVA exploration program planned for 2007 will follow up on this intersection.

The data from the exploration program on the 25 mineral claims is not part of the database used for the estimate of the mineral resources and mineral reserves at Cigar Lake because the deposit is located on mineral lease ML-5521, not on the mineral claims.

Mineralization

Three distinct styles of mineralization occur within the Cigar Lake deposit: high grade mineralization at the unconformity (“unconformity” mineralization) which includes the ore; fracture controlled, vein-like mineralization higher up in the sandstone (“perched” mineralization); and fracture controlled, vein-like mineralization in the basement rock mass.

The body of high grade mineralization located at the unconformity contains the bulk of the total uranium metal in the deposit and represents the economically viable style of mineralization, considering the available mining methods and ground conditions. It is characterized by the occurrence of massive clays and high-grade uranium concentrations.

The high-grade, unconformity mineralization consists primarily of three dominant rock and mineral facies occurring in varying proportions. These are quartz, clay (primarily chlorite with lesser illite) and metallic minerals (oxides, arsenides, sulphides). In the two higher grade eastern lenses, the ore consists of approximately 50% clay matrix, 20% quartz and 30% metallic minerals, visually estimated by volume. In this area, the unconformity mineralization is overlain by a very weakly mineralized contiguous clay cap one to five metres thick. In the lower grade western lens, the proportion changes to approximately 20% clay, 60% quartz and 20% metallic minerals.

Drilling

The Cigar Lake uranium deposit was discovered in 1981 on mineral lease ML-5521 by drillhole number WQS2-015 of a regional programme of diamond drill testing of geophysical anomalies (electromagnetic conductors) located by airborne and ground geophysical surveys. The deposit was subsequently delineated by a major surface drilling program during the period 1982 to 1986, followed by several small campaigns of drilling for geotechnical and infill holes to 1998 when the last surface hole was drilled. In total, 92,022 metres of diamond drilling was completed in 227 surface holes. Of the 227 surface drill holes and wedged intersections drilled, 112 have been drilled within the geologically interpreted deposit limits and intersected minimum mineralized intervals with grade times thickness (GT) value greater than 3.0 metres % U_3O_8, equivalent to 2.5 metres at 1.2% U_3O_8.

In addition to the surface holes, diamond drilling has been done from underground access locations primarily to ascertain rock mass characteristics in advance of development and mining, both in ore and waste rock. In the period from 1989 to 2006, 132 underground diamond drill holes totalling 11,108 metres were drilled. Only seven of these underground holes have intersected the ore body.

A total of 347 freeze and temperature monitoring holes have been drilled to the end of 2006 during the construction phase, of which approximately 150 have been gamma surveyed. The freeze holes are drilled by percussion methods so no core is available for assays and uranium content is estimated by probing the holes with radiometrics. Cameco plans to reconfirm the current conversion factors for estimating uranium grade from the radiometrics by drilling several core holes and using them for calibration purposes.

Cameco is satisfied with the quality of data obtained from the exploration drilling program on mineral lease ML-5521 and considers it valid for use in the estimate of mineral resources and mineral reserves at Cigar Lake.

Sampling and Analysis

Drilling in the eastern part of the deposit, an area 700 metres long by 150 metres wide, labelled Phase 1, has been done at a nominal drill hole grid spacing of 50 metres east-west by 20 metres north-south. On three of these fences, wedging from primary holes generated intersections at 10 metres spacing along the fences. Two fill-in fences were drilled at a spacing of 25 metres, with holes at nominally 20 metres along the fences. As well, along the central east-west axis of the eastern zone, five holes were drilled at 25 metres spacing.

The western part of the deposit, an area of 1,200 metres long by 100 metres wide, labelled Phase 2, has been drilled at a nominal drill hole grid spacing of 200 metres east-west by 20 metres north-south.

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

In the early stages of exploration drilling, sampling of mineralized intervals was done on a geological basis, whereby sample limits were determined based on geological differences in the character of the mineralization. Samples were of various lengths, up to 50 centimetres. Beginning in 1983, sampling intervals for core from the ore body have been fixed at the property standard 50 centimetres. Subsequently, all sample results have been mathematically normalized to the standard interval of 50 centimetres for mineral resource estimation purposes.

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

In total, more than 3,550 samples have been assayed from all the surface holes drilled to define and delineate the deposit.

Except for some of the earliest sampling, in 1981 and 1982, the entire core from each sample interval was taken for assay. This practice of sampling the entire core reduces the sample bias inherent when splitting core.

For holes drilled into the deposit, sampling of drill core and gamma probing of underground drill holes was undertaken to the same standards as done for surface holes. However, most of the holes drilled into the deposit were rotary holes for

ground freezing, from which no core was recovered. In these holes, reliance will be placed on radiometric assays for grade determinations to be used in future mineral resource and mineral reserve estimations.

Reliance for grade determinations in mineralized rock has been placed primarily on chemical assays of drill core. Core recovery through the ore zone has generally been very good. Where necessary, uranium grade determination has been supplemented by radiometric probing from gamma logs (gamma surveys within the drill holes).

For mineral resource and mineral reserve estimation purposes, where core recovery was less than 75%, radiometric assays were substituted for chemical assays. A total of 32 samples were identified with recoveries less than 75% out of a total of 2,367 assayed samples.

From about 1983 onward, all drilling and sample procedures have been standardized and documented. This has imparted a high degree of confidence in the accuracy and reliability of results of all phases of the work.

Sample composites were calculated by taking the weighted average for the mineralized intercept in each drill hole using a 1.2 % U_3O_8 cut-off grade with the inclusion of 0.5 metre of waste at the top and bottom of each drill intercept. Vertical surface drill holes generally represent the true thickness of the zone as the mineralization is flat lying. The greatest true width among the drill hole composites is 16.5 metres, and the lowest, 2.5 metres with an average true width of about 6 metres.

The highest and lowest assay values among the sample are respectively 82.9% U_3O_8 and 0.0% U_3O_8. The highest and lowest density values among the samples are respectively 6.38 tonnes per cubic metre and 1.37 tonnes per cubic metre.

The majority of uranium assays in the database were obtained from Loring Laboratories Ltd.

The original database, from which the mineral resource and mineral reserves were estimated, was compiled by previous operators. The original signed assay certificates are available and have been reviewed.

The QA-QC procedures that were used were typical for the time period of the analyses. Cameco has reviewed the data and is of the opinion that the data is of adequate quality to be used for mineral resource and mineral reserve estimation purposes. Furthermore, the continuity and high grade nature of the ore zone has been confirmed from radiometrics of closely spaced underground freeze hole drilling.

Security of Samples

Cameco is not aware of the security measures in place at the time of the deposit delineation. However, the current core logging area is the same facility as was used during the delineation drilling. It is well removed from the mine site and a locked gate bars road access to anyone not authorized.

Cameco has no reason to doubt that sample security was maintained throughout the process.

Cigar Lake Resource and Reserve Estimates

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

1. Key Assumptions

   (a) Indicated mineral resources have been estimated at a minimum mineralized thickness of 2.5 metres and at a cut-off grade of 1.2% U_3O_8 applied to the Phase 1 mineral resource block model. The inferred mineral resources have been estimated by applying a cut-off grade of 5.9% U_3O_8 to the Phase 2 resource block model.

   (b) Mineral resources have been estimated with an allowance of 0.5 metres of dilution material above and below the deposit at 0% U_3O_8. No allowance for mining recovery is included.

(c) Mineral reserves have been estimated at a minimum mineralized thickness of 2.5 metres and at a cut-off grade of 5.9% U_3O_8 applied to the Phase 1 mineral resource block model.

(d) Mineral reserves have been estimated with an allowance of 0.5 metres of dilution material above and below the deposit, plus 5% external dilution and 5% backfill dilution at 0% U_3O_8. Mineral reserves have been estimated based on 90% mining recovery.

(e) For the purpose of estimating mineral reserves in accordance with NI 43-101, a price of $38.50 (US) per pound U_3O_8 was used. For the purpose of estimating mineral reserves in accordance with United States Securities and Exchange Commission Industry Guide 7 for US reporting purposes, a price of $32.30 (US) per pound U_3O_8 was used. Estimated mineral reserves at Cigar Lake are almost identical at either price because of the insensitivity of the mineral reserves to the cut-off grade over the range of these two prices.

(f) Environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the mineral resource and mineral reserve estimates.

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. The grade of a sample was estimated from radiometric results if the core recovery was less than 75%.

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

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

(d) The key economic parameters underlying the mineral reserves include a conversion from US$ dollars to Cdn$ dollars using a fixed exchange rate of US$0.91=Cdn$1.00.

3. Key Methods

(a) Mineral reserves were estimated based on the use of the jet boring mining method combined with bulk freezing of the ore body. Jet boring produces an ore slurry with initial processing consisting of crushing and grinding underground, leaching at the McClean Lake JEB mill and yellowcake production split between the McClean Lake JEB mill and Rabbit Lake mill.

(b) Mining rates are assumed to vary between 80 and 140 tonnes per day and a full mill production rate of 18 million pounds of U_3O_8 per year based on 98.5% mill recovery.

(c) The geological interpretation of the ore body outline was done on section and planviews derived from core drillhole information. Mineral resources and mineral reserves were estimated using 2-dimension horizontal block models. Except in the case of the inferred mineral resources, the block size of 15 metres x 6 metres was used. For inferred mineral resources, the block size was increased to 40 metres x 10 metres.

(d) The geological model does not incorporate the results of the underground freeze holes since the conversion of radioactivity measurements to uranium grade has not yet been confirmed by chemical assays.

(e) Ordinary kriging served to estimate the grade, thickness and density of the blocks.

(f) Mineral reserves are defined as the economically mineable part of the indicated and measured resources. Only mineral reserves have demonstrated economic viability. Reported mineral resources do not include those amounts identified as mineral reserves.

(g) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category.

Cigar Lake is a challenging deposit to develop and mine. These challenges include control of groundwater, weak ground formations, and radiation protection. The sandstone overlying the basement rocks contains significant water at hydrostatic pressure. Freezing the ground is expected to result in several enhancements to the ground conditions, including: (1) minimizing the risk of water inflows from saturated rock above the unconformity; (2) reducing radiation exposure from radon dissolved in the ground water; and (3) increasing rock stability. However, freezing will only reduce, not eliminate, these challenges. There is also the possibility of a water inflow during the drilling of holes to freeze the ground. Therefore, the risk of water inflows at Cigar Lake remains. The consequences of another water inflow will depend upon the magnitude, location and timing of any such event, but could include a significant delay in Cigar Lake's remediation, development or production, a material increase in costs, a loss of mineral reserves or require Cameco to give notice to many of its customers that it is declaring an interruption in planned uranium supply. Such consequences could have a material adverse impact on Cameco. Water inflows are generally not insurable.

Cigar Lake's remediation and production schedules are based upon certain assumptions regarding the condition of underground development and infrastructure at the mine. The condition of this underground infrastructure, however, will not be known until the mine is dewatered. If the underground infrastructure has been impaired, this could adversely impact schedules and cost estimates.

The outcome of each phase of remediation will impact the schedule of each subsequent phase of remediation and the planned commencement of production in 2010. For example, if the concrete plug is not successful in securing the inflow area, then ground freezing, already incorporated in the remediation plan, will be utilized to secure the inflow area. If this situation occurs, there could be a delay in the remediation schedule and the commencement of production.

Remediation and production schedules will be impacted by regulatory approvals. Cameco has not yet received regulatory approval for the installation of pumps in the four dewatering holes required for dewatering the mine during the first phase of the remediation plan. This approval is required to move forward with the planned dewatering strategy. In addition, working with the regulatory authorities to receive approvals for additional corrective actions which may result from the current inflow investigations may impact our remediation and production schedules.

Decommissioning and Reclamation

The Cigar Lake project Preliminary Decommissioning Plan ("PDP") was completed in May 2002. This decommission plan considers the environmental liability issues up to the end of the construction of the facility. This PDP is approved by both federal and provincial regulatory agencies and it indicates a preliminary decommissioning cost estimate ("PDCE") of $6.4 million. Financial assurances to cover this PDCE are posted with SE.

The approved Cigar Lake PDP is valid to the end of construction. Once mining begins, Cameco will need to revise the PDP, as reclamation and remediation liabilities will begin to increase with the production of ore and the associated generation of mining wastes. The Cigar Lake PDP discusses the approach to addressing liabilities associated with mining. The future liabilities will be addressed in subsequent revisions to the Cigar Lake PDP.

The reclamation and remediation activities associated with the Cigar Lake project waste rock and/or tailings at the McClean Lake and Rabbit Lake facilities are covered by the PDP and PDCE prepared for these facilities. Future liabilities associated with expansion of the Rabbit Lake RLITMF will be addressed in future updates to the Rabbit Lake PDP.

Mining Operations

The mining of the Cigar Lake deposit faces many challenges including control of groundwater, weak rock formations, and radiation protection. Based on these challenges, it was identified that a non-entry mining method would be required to mine the deposit.

The jet boring mining method was selected for the mining of the Cigar Lake deposit after many years of exploration and test mining activities. The method consists of cutting approximately 4.5 metres diameter cavities with a high pressure water jet in previously frozen ore. It was developed and adapted specifically for this deposit and one of its primary features is its non-entry approach, whereby personnel are not exposed to the ore body as all mining will be conducted from headings located in the basement rock below it. Through the application of the non-entry mining method, the containment of the ore cuttings within cuttings collection systems, and the application of ground freezing, the amount of radiation exposure to workers has been minimized to acceptable levels that are below regulatory limits. Experience with non-entry mining of high grade uranium ore at Cameco's McArthur River mine has demonstrated the effectiveness of this mining approach to manage radiation exposures.

Cigar Lake ore will be processed at three locations. Size reduction will be conducted at Cigar Lake, leaching will occur at McClean Lake and final yellowcake production will be split between McClean Lake and Rabbit Lake for a total estimated annual production rate of 18 million pounds U_3O_8 when the mine is in full operation. The MLJV owns the McClean Lake operation, including the McClean Lake JEB mill, and AREVA is the operator of the MLJV. Cameco owns the Rabbit Lake mill.

The first stage of processing will take place underground at Cigar Lake. The ore slurry produced by the jet boring mining system will be pumped to the underground crushing and grinding facility. The resulting finely ground, high density ore slurry will be pumped to surface storage tanks, thickened and loaded into truck mounted containers, similar to those currently being used at McArthur River mine.

The containers of ore slurry will be trucked to AREVA's McClean Lake operations, 70 kilometres to the northeast for processing. All the Cigar Lake ore will be leached at the McClean Lake JEB mill and final uranium solution processing is split between the McClean Lake JEB mill and Rabbit Lake mill as described below under *Toll Milling Agreements*. Both the McClean Lake JEB mill and Rabbit Lake mill require modifications to process the Cigar Lake ore.

The CLJV has entered into toll milling agreements for the processing of the Cigar Lake uranium at the McClean Lake JEB and Rabbit Lake mills.

Toll Milling Agreements

For a period of approximately two years, initially all Cigar Lake ore will be processed at the McClean Lake JEB mill located at AREVA's McClean Lake operations. Thereafter, as Cigar Lake production ramps up to planned full capacity, a portion of the uranium processing will be completed at Cameco's Rabbit Lake mill. These milling arrangements are subject to two toll milling agreements described below. These toll milling agreements were an integral part of the arrangements that resulted in the CLJV deciding in late 2004 to proceed with development of Cigar Lake.

JEB Toll Milling Agreement

The JEB Toll Milling Agreement, made effective January 1, 2002, sets out the terms and conditions by which the MLJV will process Phase 1 ore delivered to the McClean Lake JEB mill into JEB uranium solution, further process the JEB uranium solution into uranium concentrates and process all Phase 2 ore into uranium concentrates at the McClean Lake JEB mill. Phase 1 ore is the current Cigar Lake mineral reserves and Phase 2 ore is part of the current Cigar Lake mineral resources. Mineral resources in Phase 2 are in the inferred category and have been evaluated from a preliminary perspective only. Further drilling and mining studies are needed before these resources can be fully evaluated.

All uranium solution resulting from the mill processing at the McClean Lake JEB mill of Phase 1 ore is allocated for further processing between the McClean Lake JEB mill and the Rabbit Lake mill based upon two categories: Phase 1 (a) ore and Phase 1 (b) ore. Phase 1 (a) ore represents the first 160 million pounds U_3O_8 recovered collectively by the

McClean Lake JEB and Rabbit Lake mills. Phase 1(b) ore represents the balance of the Phase 1 ore which is equal to approximately 64 million pounds of Cigar Lake mineral reserves.

Generally, for an initial ramp up period of two years, 100% of the uranium solution resulting from the processing of Phase 1 ore is allocated to the McClean Lake JEB mill to process into uranium concentrates. Thereafter, the McClean Lake JEB mill will process 42.7% of the Phase 1(a) uranium solution into uranium concentrates (50% of the Phase 1(b) uranium solution). McClean Lake will send up to 57.3% of the Phase 1(a) uranium solution to the Rabbit Lake mill for further processing into uranium concentrates (50% of the Phase 1(b) uranium solution).

For the toll milling and related services, the CLJV pays the MLJV toll milling charges comprising the CLJV's share of McClean Lake JEB mill expenses and a toll milling fee based upon the type of Cigar Lake ore being processed (Phase 1(a), Phase 1(b) and, if applicable, Phase 2).

The agreement requires the MLJV to modify the McClean Lake JEB mill to process Phase 1 ore. The CLJV agreed to pay a portion of the costs to modify the McClean Lake JEB mill to a specified maximum amount, which limit has been met. This contribution limit may be exceeded in certain circumstances. The balance of the costs is the MLJV's responsibility. These McClean Lake JEB mill modifications are expected to be complete in 2007, with the exception of the uranium solution off-loading facility which is expected to be complete in 2010. In certain circumstances, standby costs will be payable by the CLJV to the MLJV, including if the McClean Lake JEB mill modifications are complete and no uranium is being processed at the McClean Lake JEB mill.

The MLJV is responsible for all costs of decommissioning the McClean Lake JEB mill.

Rabbit Lake Toll Milling Agreement

As described above under *JEB Toll Milling Agreement*, all uranium solution resulting from the processing at the McClean Lake JEB mill of Phase 1 ore is allocated for further processing between the McClean Lake JEB mill and the Rabbit Lake mill. The Rabbit Lake Toll Milling Agreement, made effective January 1, 2002, sets out the terms and conditions by which Cameco will process its allocation of uranium solution from Phase 1 ore into uranium concentrates at the Rabbit Lake mill.

For the toll milling and related services, the CLJV pays Cameco toll milling charges comprising the CLJV's share of Rabbit Lake mill expenses and a toll milling fee based upon the type of Cigar Lake ore being processed (Phase (1)(a) and Phase 1(b)).

The agreement requires Cameco to modify the Rabbit Lake mill to process its allocation of uranium solution from milled Phase 1 ore and Cameco is planning to complete the majority of modifications by 2010. The majority of these modification costs will be incurred by Cameco in either its role as mill owner or 50% CLJV owner. The CLJV agreed to pay a portion of these costs to a specified maximum amount, which limit may be exceeded in certain circumstances. In certain circumstances, standby costs will be payable by the CLJV to Cameco, including if the Rabbit Lake mill modifications are complete and no uranium is being processed at the Rabbit Lake mill.

Cameco is responsible for all costs of decommissioning the Rabbit Lake mill.

Water Inflow Incidents and Remediation

On April 5, 2006 a water inflow occurred at the base of No. 2 Shaft, through a failed valve assembly on a grouting standpipe, which led to the flooding of the shaft and cessation of activities in the shaft. As the shaft was not complete and not connected through to the main mine workings the flooding was limited to No. 2 Shaft. A remediation plan has been developed to freeze the ground in the aquifer affecting the shaft and then recommence shaft sinking. Freezing activities are currently planned to be conducted from underground and will resume once the main mine has been dewatered and secured.

On October 23, 2006 the underground mine at Cigar Lake was flooded following a water inflow, which caused a termination of underground activities. Subject to CLJV's approval, Cameco is proceeding with a phased plan to restore

the underground workings at Cigar Lake. This plan consists of five phases. Each phase requires regulatory approval. Cameco has received approval from regulatory authorities for Phase one, other than for the installation of pumps in the four dewatering holes to dewater the mine.

Phase one involves drilling holes down to the source of the inflow and to a nearby tunnel where reinforcement is needed, pumping concrete through the drill holes, sealing off the inflow with grout and drilling dewatering holes. As of March 23, 2007, all of the 14 drill holes planned for reinforcing and sealing off water inflow areas are complete. Concrete is required in two underground locations – one near the rockfall to seal off the inflow area and another in a nearby tunnel to provide reinforcement. The concrete mixture is designed to harden under water and is being poured in successive layers.

Cameco expects to complete the work necessary to seal off the water inflow in the third quarter of 2007 after spending additional time learning the best way to work with concrete in the water underground. This timeline assumes the current pace of drilling is maintained and the concrete solidifies as planned to provide reinforcement and prevent or reduce water inflow sufficiently to enable mine dewatering. The integrity of the concrete plug will not be known until dewatering is under way.

The activities associated with each of the subsequent proposed remediation phases and the schedule completion dates are generally described as follows:

Phase 2	This phase involves dewatering the underground mine openings, validating the integrity of the plug to ensure the water inflow has been sufficiently sealed, and initiating the installation of surface freezing infrastructure and is expected to be complete by the end of the third quarter 2007, other than drilling of the freezeholes and the freezing of the ground which will continue through to phase five.
Phase 3	This phase involves completing any additional remedial work identified in phase two to be completed such as determining if additional reinforcement is required in higher risk areas. This phase is expected to be complete by the end of 2007.
Phase 4	This phase involves completing underground rehabilitation which includes securing areas to prevent a ground fall or water inflow, re-establishing mine ventilation, installing pumping capacity and re-establishing the ore freezing program. This phase is expected to be complete by the summer of 2008.
Phase 5	This phase involves resuming construction activities in order to meet the scheduled mine completion target of 2010.

While these phases are underway, the area around the flooded second shaft will be frozen after the installation of underground freeze pipes from a nearby tunnel. This is anticipated to be completed by the summer of 2008. Shaft sinking will continue with completion scheduled for 2010.

Cameco has hired internationally qualified independent experts to investigate the two water inflow incidents at the Cigar Lake project and provide corrective action recommendations. The Company will be carefully reviewing the final reports to identify opportunities for improvement.

In the event that the concrete plug being placed in Phase 1 is not successful in securing the inflow area then ground freezing, already incorporated into the remediation plan, will be utilized to secure the inflow area. If this situation occurs, there could be a schedule delay to the start of mine production.

During the underground remediation program, work will continue on the remaining planned surface facilities including the administration/services building, the installation of the mine ventilation fans, and a mine water pipeline containment system, as well as facilities required as a result of the remediation, such as additional dewatering pipelines and brine lines for ground freezing.

Construction of the expansion of MLJV's McClean Lake JEB mill, required to process the Cigar Lake ore, is expected to be complete in 2007, with the exception of the uranium solution off-loading facility which is expected to be complete in 2010. Modifications to Cameco's Rabbit Lake mill required to complete processing of Cameco's portion of the ore have not yet started. Detailed design for the required facilities at Rabbit Lake is underway.

Prior to the April 2006 water flow incident, development of No. 2 Shaft was near complete. Prior to the October 2006 water inflow incident, development of the underground workings was approximately 70% complete and surface construction was 60% complete.

Development

The Cigar Lake project has regulatory obligations to both the federal and provincial governments. Being a nuclear facility, primary regulatory authority resides with the federal government and its agency, the CNSC. The main regulatory agencies that issue permits/approval and inspect the Cigar Lake project are: the CNSC (federal), Fisheries and Oceans Canada (federal), Environment Canada (federal), Transport Canada (federal), Saskatchewan Labour (provincial), and SE (provincial).

In February 2004, an environmental assessment study report for the Cigar Lake mine portion of the project was submitted and subsequently accepted by the CNSC as meeting the requirements of *Canadian Environment Assessment Act* ("CEAA") and that the licensing/permitting process for the Cigar Lake project could proceed.

The CNSC issued the construction licence for the Cigar Lake project in December 2004. This licence is valid for the period of December 20, 2004 through December 31, 2007. Due to the October 2006 water inflow event, the construction activities will not be completed by the expiry date of the licence. Therefore, in 2007 Cameco will be applying for amendments to the construction licence to extend its term and potentially address emergency water treatment and other new actions or contingencies, resulting from the October 2006 water inflow event. Cameco believes that an approved amendment to the licence to extend the term should be obtained prior to the end of 2007.

Concurrent with mine construction, an operating license application will be prepared for submission to the CNSC. The operating license process, consisting of document production and two formal hearings, can proceed while construction of the facilities is being completed.

The processing of ore slurry feed from the Cigar Lake mine at the McClean Lake JEB mill was assessed and approved as part of a environmental impact statement for the Cigar Lake project submitted in 1995 and approved in 1997 by the Joint Federal-Provincial review panel on Uranium Developments in Northern Saskatchewan.

In November of 2006, a draft environmental impact statement for the processing of uranium solution at the Rabbit Lake mill was submitted. Cameco does not anticipate any significant problems in obtaining approval for this phase of the Cigar Lake project.

Each of the five phases of the remediation of the rock fall and water inflows at Cigar Lake requires regulatory approval. Regulatory approval has been obtained for Phase 1, other than for the installation of pumps in the four dewatering holes to dewater the mine.

The water treatment/effluent discharge system employed at the Cigar Lake mine site has been designed to take into account both the results of metallurgical testwork programs and Cameco's experience at other facilities. The design is intended for both typical and emergency water treatment and effluent discharge scenarios. The current system has been approved and licensed by the CNSC and SE. Due to the October 2006 water inflow incident, Cameco is reviewing the emergency mine dewatering strategy. It is likely that the emergency mine dewatering capacity will increase and provision for this has been included in the updated capital cost estimate. This increase in capacity is subject to regulatory approval.

The mining plan for Cigar Lake has been designed to extract all of the current mineral reserves. The mine life based on current mineral reserves will be 14.8 years with an estimated full production rate of 18 million pounds of U_3O_8 per year recovered from the mill. Cigar Lake will produce less than the full production rate of 18 million pounds of U_3O_8 in the

early and late years resulting in an average annual production rate of 15.1 million pounds of U_3O_8 over the current mineral reserve life of 14.8 years.

Subject to regulatory approval and successful remediation of the flooded underground mine and No. 2 shaft in a timely fashion, Cameco forecasts that commission activities in ore will commence in 2010 followed by a ramp-up period of two years before reaching the full production rate in 2012.

The following is a general summary of the Cigar Lake production schedule guidelines and parameters:

- Total mill production of 222.9 million pounds of U_3O_8 based on an overall milling recovery of 98.5%;
- Total mine production of 497 thousand tonnes of ore;
- Average mill feed grade of 20.7 % U_3O_8;
- Production scheduled for 2010;
- Mining rate is variable to achieve a constant production level of U_3O_8. The average mine production is 100 tonnes per day, but varies annually from 80 to 140 tonnes per day depending on the grade of ore being mined;
- Two year ramp up to full production of 18 million pounds of U_3O_8 per year (recovered after miling); and
- Mine operating life of 14.8 years

The projected total remaining cost to complete the Cigar Lake project is estimated to be $624 million, including remediation, completion of the underground development and surface construction at Cigar Lake, and the completion of the mill modifications at Rabbit Lake and McClean Lake. As of December 31, 2006, $478 million had been spent by the CLJV, for a total combined capital and remediation cost estimate of $1.1 billion.

Cameco's share of the capital cost to develop Cigar Lake, including its share of costs to modify the McClean Lake JEB and Rabbit Lake mill, is estimated at $508 million, including $234 million spent on construction to date, leaving $274 million to be incurred from 2007 to the completion of underground development and construction at the respective sites. This does not include costs associated with the remediation to address the water inflow incidents.

In addition to the capital costs, the costs relating to the remediation plan to address the water inflow incidents are estimated at $92 million. Cameco estimates its share of remediation costs to be $46 million, of which $5 million was expensed in 2006, leaving $41 million to be incurred by Cameco from 2007 through completion of the remediation. Following dewatering, Cameco expects to have more information about the condition of the underground infrastructure that may impact costs and timelines of remediation.

Additional projected sustaining capital expenditures of $69 million at the Cigar Lake and Rabbit Lake sites will be required to be funded by the CLJV throughout the operating life of the Cigar Lake mine.

Payback for the Cigar Lake project has been considered on many different factors. Excluding all 2006 and prior costs as sunk costs, payback for Cameco would be achieved by the end of 2012 on an undiscounted, pre-tax basis.

If the $478 million, including remediation costs, spent by the CLJV on construction prior to 2007 (of which Cameco's share was $239 million), is included in the calculation, Cameco would achieve payback by the end of 2013 on an undiscounted, pre-tax basis.

Inkai

Inkai is an ISL project, with two production areas under development (Blocks 1 and 2), located in the central Asian Republic of Kazakhstan and consists of three contiguous licence blocks. 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 below at *Uranium Concentrates Business – Reserves and Resources*.

In April 1999, Joint Venture Inkai received from the government of Kazakhstan a mining licence for Block 1 and an exploration licence for Blocks 2 & 3. The associated subsoil use contract, covering both licences, was signed by the government and Joint Venture Inkai in July 2000.

Test mining operations commenced in April 2002 at Block 2, following regulatory approval, and have continued since that time. At December 31, 2006, since the commencement of operations, the total production at the test mine was approximately 2.1 million pounds. Expansion of the test mine at Block 2 was completed in the first quarter of 2006. Joint Venture Inkai plans to apply for a mining licence in 2007, provided that some Block 2 mineral resources are converted to mineral reserves. Commercial development of Block 2 is planned for 2008.

In September 2005, Joint Venture Inkai approved proceeding with an ISL commercial processing facility at Inkai, located at Block 1. Cameco expects that commissioning of the facility will begin in 2007. Subject to regulatory approval, commercial production is scheduled for 2008.

Full production of 5.2 million pounds of U_3O_8 per year is planned to be achieved by 2010 from Blocks 1 and 2.

The total cost to bring Inkai to commercial production (100% basis), including the cost of pilot test mine operations, is projected to be $200 million (US). The capital expenditures for Inkai in 2007 are expected to total $90 million (US). The production from the test mine is being sold and the sales proceeds are used to fund construction and operation of the project. Including recoveries related to these sales, the net cost of development at Inkai is expected to be about $95 million (US).

In 2006, a Cameco subsidiary signed an agreement to increase its loan to Joint Venture Inkai from $40 million (US) to a maximum amount of $100 million (US). The Cameco subsidiary 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.

Joint Venture Inkai will also be subject to excess profits tax. Excess profits tax becomes payable when the internal rate of return of the project (as defined in the applicable tax code) exceeds 20%. Excess profits tax is levied at rates scaled from 4% to 30%, depending on the internal rate of return. The excess profits tax rate is applied to pre-tax net income less income tax. Joint Venture Inkai will not pay excess profits tax in 2007. The timing of excess profits tax in the future, after Joint Venture Inkai reaches commercial production, will be dependent on the internal rate of return of the project.

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

A significant part of Cameco's future production is expected to result from its global exploration activities. Over the past five years Cameco has been significantly increasing its investment in exploration programs. Cameco invested about $32 million in uranium exploration during 2006 and plans to spend $45 million in 2007.

The Company carries out exploration on a large and expanding land position, which, at December 31, 2006, had reached an area of approximately 4.8 million hectares (11.8 million acres). These exploration lands are principally located in Saskatchewan, Nunavut and Northwest Territories, Australia, and Mongolia. Exploration activities include brownfields work in close proximity to operating mines, greenfields exploration in new target areas, and alliances or other agreements with junior exploration companies that own prospective uranium targets.

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, 2006, 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.

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.

As part of this strategy, Cameco has entered into several new arrangements and continues to hold equity positions in two junior exploration companies.

At December 31, 2006, Cameco owned a 21.63% 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 at 21.63%.

In January of 2006, Cameco also completed the acquisition of a 19.5% share of UNOR Inc. (formerly Hornby Bay Exploration Ltd.), a TSX-listed junior exploration company with exploration assets in Nunavut. Cameco purchased 22.9 million common shares of UNOR at $0.40 per share through a private placement for $9.2 million. The strategic alliance agreement concluded with UNOR provides Cameco certain rights related to financing, mine operation, and marketing, as long as it continues to hold a 10% or higher interest in UNOR. In November 2006, Cameco participated in a further private placement financing for UNOR on a pro rata basis with its ownership interest. This participation involved the purchase of 1,178,963 shares of UNOR at a price of $0.52 per share and maintains Cameco's interest in UNOR unchanged at 19.5%.

In January 2007, Cameco signed a letter of intent with Vena Resources, a Canadian junior exploration company, to establish a jointly-owned company to explore and develop Vena's uranium assets in Peru.

In March 2007, Cameco signed additional non-binding memorandum of understandings (MOU) with Tenex to explore in Russia and Canada. Building on the MOU signed in November 2006, Cameco and Tenex have further developed terms on which they would co-operate on joint uranium exploration projects in Russia and Canada, and, if warranted, engage in development and production of deposits that are found. Cameco and Tenex have identified priority projects for possible

future joint exploration activities in Russia and Canada that will be disclosed when the agreements are finalized. Cameco anticipates binding agreements will be signed in 2007.

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, was prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Doug Beattie, Chief Mine Engineer, Engineering and Projects, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco	Dawn Lake Key Lake Millennium Rabbit Lake
Cameron Chapman, Technical Superintendent, McArthur River, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Gary Haywood, General Manager, McArthur River, Cameco	McArthur River
Doug McIlveen, Cigar Lake Chief Geologist, Cameco Barry Schmitke, Cigar Lake General Manager, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco	Cigar Lake
Dave Crawford, Manager, Project Development, PRI Chuck Foldenauer, Smith-Ranch Highland Mine Manager, PRI Steve Lundsford, Sr. Evaluation Geologist, PRI	Crow Butte Gas Hills – Peach North Butte/Brown Ranch Northwest Unit Reynolds Ranch Ruby Ranch Ruth Shirley Basin Smith Ranch-Highland
Dave Crawford, Manager, Project Development, PRI Steve Magnuson, VP, Engineering & Development, PRI Alain G. Mainville, Director, Mineral Resources Management, Cameco	Inkai

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 mineral reserves and mineral resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports mineral reserves and resources separately. (See *Note Regarding Reserves and Resources* above.)

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 mineral reserves as at December 31, 2006 on a property basis and Cameco's share.

	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)					
RESERVES 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 U_3O_8)	Estimated Metallurgical Recovery %	Mining Method
	{(tonnes in thousands; pounds in millions)											
Cigar Lake	497.0	20.67	226.3	—	—	—	497.0	20.67	226.3	113.2	98.5%	UG
Crow Butte	901.6	0.33	6.5	—	—	—	901.6	0.33	6.5	6.5	85.0%	ISL
Gas Hills – Peach	—	—	—	6,851.0	0.13	19.7	6,851.0	0.13	19.7	19.7	65.0%	ISL
Highland	278.5	0.13	0.8	935.1	0.13	2.7	1,213.6	0.13	3.5	3.5	80.0%	ISL
Inkai	22,694.0	0.07	35.4	63,727.0	0.06	79.0	86,421.0	0.06	114.4	68.6	80.0%	ISL
Key Lake	61.9	0.52	0.7	—	—	—	61.9	0.52	0.7	0.7	98.7%	OP
McArthur River	530.2	17.49	204.5	280.0	26.33	162.5	810.2	20.55	367.0	256.2	98.7%	UG
North Butte/ Brown Ranch	—	—	—	3,874.6	0.10	8.5	3,874.6	0.10	8.5	8.5	80.0%	ISL
Rabbit Lake	40.0	1.15	1.0	696.5	1.18	18.1	736.5	1.18	19.1	19.1	96.7%	UG
Ruby Ranch	—	—	—	2,832.2	0.09	5.5	2,832.2	0.09	5.5	5.5	80.0%	ISL
Ruth	—	—	—	853.7	0.09	1.7	853.7	0.09	1.7	1.7	80.0%	ISL
Smith Ranch	676.9	0.10	1.5	3,143.1	0.12	8.3	3,820.0	0.12	9.8	9.8	80.0%	ISL
Total	25,680.1	—	476.7	83,193.2	—	306.0	108,873.3	—	782.7	513.0	—	—

Notes:

1 Cameco reports mineral reserves and mineral resources separately.

2 Cigar Lake reserves are current as at March 16, 2007.

3 Mill recovery factors must be applied in order to obtain the expected amounts of recovered pounds U_3O_8.

4 Mineral Reserves incorporate allowances for dilution and mining losses.

5 Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

6 Mineral reserves are estimated using current geological models and current and/or projected operating costs and mine plans. Cameco's normal data verification procedures have been employed in connection with the mineral reserve estimations for each property, unless otherwise set out in this Annual Information Form.

7 For the purpose of estimating mineral reserves in accordance with NI 43-101, a uranium price of $38.50 (US)/lb U_3O_8 was used. For the purpose of estimating mineral reserves in accordance with US Securities Commission Industry Guide 7, a uranium price of $32.30 (US)/lb U_3O_8 was used. Estimated mineral reserves are identical at either price, except for Cigar Lake where they are almost identical.

8 The key economic parameters underlying the mineral reserves include an exchange rate of $0.91 US=$1.00 Cdn.

9 Except as otherwise set out in this Annual Information Form, environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the above estimates of mineral reserves.

10 Totals may not add up due to rounding.

In addition to the above reserves, Cameco has contractually committed supplies, including supplies under the HEU Commercial Agreement, of approximately 51 million pounds of uranium from January 1, 2007 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, 2006 on a property basis and Cameco's share.

	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED (100% basis)				
RESOURCES 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
	(tonnes in thousands; pounds in millions)										
Cigar Lake	—	—	—	61.2	4.86	6.6	61.2	4.86	6.6	3.3	UG
Crow Butte	64.5	0.23	0.3	1,475.8	0.25	8.1	1,540.3	0.25	8.4	8.4	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	0.08	3.3	1,153.0	0.07	2.3	3,166.0	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	—	—	—	11,042.0	0.06	14.2	11,042.0	0.06	14.2	8.5	ISL
McArthur River	75.0	8.51	14.1	39.8	8.37	7.4	114.8	8.49	21.5	15.0	UG
Millennium	—	—	—	446.0	3.81	37.5	446.0	3.81	37.5	15.7	UG
North Butte/ Brown Ranch	1,008.8	0.08	1.9	3,923.6	0.07	6.3	4,932.4	0.07	8.2	8.2	ISL
Northwest Unit	—	—	—	4,000.7	0.03	2.3	4,000.7	0.03	2.3	2.3	ISL
Rabbit Lake	—	—	—	180.4	0.54	2.2	180.4	0.54	2.2	2.2	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	0.17	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	7,392.8	—	27.0	32,237.3	—	116.3	39,630.1	—	143.3	100.5	—

Notes:

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

2 Cigar Lake resources are current as at March 16, 2007.

3 Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

4 Mineral resources are estimated using current geological models. Cameco's normal data verification procedures have been employed in connection with the mineral resource estimations for each property, unless otherwise set out in this Annual Information Form.

5 Totals may not add up due to rounding.

6 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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 pre-feasibility 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, 2006 on a property basis and Cameco's share.

	INFERRED RESOURCES (100% basis)				
PROPERTY	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Cameco's Share (lbs U_3O_8)	Mining Method
	(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
Dawn Lake	—	—	—	—	—
Gas Hills-Peach	656.8	0.05	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	217.0	2.03	9.7	4.1	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	312.2	0.59	4.0	4.0	UG
Reynolds Ranch	5,333.3	0.04	4.9	4.9	ISL
Ruby Ranch	60.8	0.14	0.2	0.2	ISL
Ruth	210.5	0.08	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	267,348.7	—	516.6	316.1	—

Notes:

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

2 Cigar Lake inferred resources are current as at March 16, 2007.

3 Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

4 Mineral resources are estimated using current geological models. Cameco's normal data verification procedures have been employed in connection with the mineral resource estimations for each property, unless otherwise set out in this Annual Information Form.

5 Totals may not add up due to rounding.

6 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

7 Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category.

Uranium Reserves Reconciliation

The following reconciliation of Cameco's share of uranium mineral reserves reflects the changes in mineral reserves during 2006. The 2006 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, change in mining plans, re-estimation and reclassification.

There were only modest changes in mineral reserves in 2006 as outlined in the table below. The more noteworthy of these changes are:

- At McArthur River, 19 million pounds were upgraded from probable reserves to proven reserves following a review of the mining plan for a portion of Zone 2.
- At Rabbit Lake, 13.5 million pounds of reserves were added as a result of underground drilling and increased confidence in the geological interpretation.
- At Cigar Lake, 2.6 million pounds of probable reserves were converted to indicated resources following a revision of the cut-off grade.

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

	December 31, 2005	2006 Throughput [1]	2006 Addition (Deletion) [2]	December 31, 2006
Reserves — Proven				
Cigar Lake	113,222	0	—	113,222
Crow Butte	6,815	(897)	597	6,515
Highland	1,807	(1,169)	144	782
Inkai	21,211	0	—	21,211
Key Lake	590	0	—	590
McArthur River	136,323	(12,799)	19,226	142,750
Rabbit Lake	3,127	(1,405)	(711)	1,011
Smith Ranch	2,845	(1,390)	3	1,458
Total Proven Reserves	285,940	(17,660)	19,259	287,539
Reserves – Probable				
Cigar Lake	2,625	0	(2,625)	0
Crow Butte	1,013	0	(1,013)	0
Gas Hills – Peach	19,684	0	—	19,684
Highland	2,663	0	—	2,663
Inkai	47,412	0	—	47,412
McArthur River	135,258	0	(21,816)	113,442
North Butte/Brown Ranch	8,524	0	—	8,524
Rabbit Lake	7,863	(4,000)	14,241	18,104
Ruby Ranch	5,462	0	—	5,462
Ruth	1,689	0	—	1,689
Smith Ranch	8,317	0	—	8,317
Total Probable Reserves	240,510	(4,000)	(11,213)	225,297
Total Reserves	526,450	(21,660)	8,046	512,836

Notes:

1 Corresponds to millfeed. The discrepancy between the 2006 mill feed and Cameco's share of 2006 pounds U_3O_8 produced is due to mill recovery, mill inventory and the processing of low-grade material.

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

Uranium Resources Reconciliation

The following reconciliation of Cameco's share of uranium mineral resources reflects the changes in mineral resources during 2006. The 2006 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 mineral resources in 2006 as outlined in the table below. The more noteworthy of these changes are:

- At McArthur River, measured resources increased by 3.4 million pounds due to reclassification.
- At Rabbit Lake, 5.3 million pounds of resources were converted to reserves.
- At Millennium, resources decreased as a result of additional drilling.
- At Cigar Lake, the increase in resources is due to a change in the cut-off.

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

	December 31, 2005	2006 Addition (Deletion)[1]	December 31, 2006
Resources – Measured			
Crow Butte	0	322	322
Gas Hills – Peach	3,346	—	3,346
Highland	1,663	—	1,663
McArthur River	6,427	3,400	9,827
Millenium	0	—	0
North Butte/Brown Ranch	1,857	—	1,857
Reynolds Ranch	4,493	—	4,493
Ruby Ranch	585	—	585
Ruth	216	—	216
Shirley Basin	304	—	304
Smith Ranch	138	—	138
Total Measured Resources	19,029	3,722	22,751
Resources-Indicated			
Cigar Lake	0	3,282	3,282
Crow Butte	8,100	—	8,100
Dawn Lake	7,436	—	7,436
Gas Hills – Peach	2,310	—	2,310
Highland	92	—	92
Inkai	8,521	(5)	8,516
McArthur River	5,136	—	5,136
Millennium	19,220	(3,483)	15,737
North Butte/Brown Ranch	6,303	—	6,303
Northwest Unit	2,341	—	2,341
Rabbit Lake	7,486	(5,322)	2,164
Reynolds Ranch	6,960	—	6,960
Ruby Ranch	143	—	143
Ruth	192	—	192
Shirley Basin	4,085	—	4,085
Smith Ranch	4,984	—	4,984
Total Indicated Resources	83,309	(5,528)	77,781
Total Measured & Indicated Resources	102,338	(1,806)	100,532

Note:

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

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

	December 31, 2005	2006 Addition (Deletion) [1]	December 31, 2006
Resources – Inferred			
Cigar Lake	59,105	—	59,105
Crow Butte	10,083	—	10,083
Gas Hills – Peach	845	—	845
Highland	1,977	—	1,977
Inkai	160,793	—	160,793
McArthur River	66,151	—	66,151
Millennium	4,700	(629)	4,071
North Butte/Brown Ranch	966	—	966
Northwest Unit	508	—	508
Rabbit Lake	3,701	332	4,033
Reynolds Ranch	4,912	—	4,912
Ruby Ranch	184	—	184
Ruth	365	—	365
Shirley Basin	1,132	—	1,132
Smith Ranch	896	—	896
Total Inferred Resources	316,318	(297)	316,021

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

Uranium Fuel Conversion Services

Market Background

Demand

The demand for UF_6 conversion services is directly linked to the level of electricity generated by light water moderated nuclear power plants. The demand for UO_2 conversion services is linked to the level of electricity generated by heavy water moderated nuclear power plants such as CANDU reactors.

Cameco estimates western world demand for UF_6 and natural UO_2 conversion services in 2006 was approximately 60 million kilograms of uranium. Cameco estimates that this demand will increase to approximately 75 million kilograms of uranium by 2016. Demand in the former Soviet Union, Eastern Europe and China in 2006 was about 8 million kilograms of uranium and Cameco estimates it will increase to about 17 million kilograms of uranium by 2016.

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 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 46 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 (now Springfields Fuels Ltd. or SFL) to acquire 5 million kilograms of uranium conversion services from SFL's U.K. plant, which has an annual nameplate 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 base load this agreement. (See *Uranium Fuel Conversion Services – Operations* below.)

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 above.

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 42 customers worldwide under long-term contracts. Cameco's five largest customers account for approximately 32% of these commitments. 53% of Cameco's committed UF_6 conversion services volume is to purchasers in the Americas, 22% in the Far East and 24% in Europe.

At December 31, 2006, most UF_6 conversion services commitments are under contracts that contain fixed prices with inflation escalators. Therefore, 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 Zircatec, 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. 16,000) approximately 100 kilometres east of Toronto, on the shore of Lake Ontario. Zircatec's plants are located in Port Hope for the manufacture of fuel bundles and in Cobourg, Ontario, for the manufacture of zirconium parts for the fuel bundles and various reactors parts. Zircatec's Cobourg plant is 10 kilometres east of its Port Hope plant. Cameco's Blind River and Port Hope conversion facilities and Zircatec's Port Hope manufacturing facility were re-licensed by the CNSC for a five-year period commencing on March 1, 2007.

Blind River — Refining

The Blind River facility has an annual licensed capacity of 18 million kilograms of uranium as UO_3 and in 2006 produced 17.2 million kilograms of uranium as UO_3. 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 or to Springfields, UK for conversion into UF_6 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 (now Springfields Fuels Ltd. or SFL). 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 SFL's U.K. plant. In 2006, SFL began shipping UF_6 produced from UO_3 supplied by Blind River. Cameco will be investing about $6 million at Blind River and $4 million at Springfields to implement the agreement.

In the fourth quarter 2006, Cameco filed an Environmental Assessment Study Report with the CNSC to support an increase Blind River's annual licensed production capacity to 24 million kilograms of uranium as UO_3 from 18 million kilograms of uranium as UO_3. Some relatively minor changes are required at the refinery to achieve the increased capacity. These changes require an environmental assessment and regulatory approval. 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.

Following a hearing in December 2006, Cameco received CNSC approval for the addition of pollution abatement equipment to the Blind River incinerator. This equipment is required to meet new Canadian regulatory standards that came into effect January 2007. Installation of the equipment is expected to be completed in the first quarter 2007. An amendment from the CNSC to the operating licence is required to use the new equipment. Material is being stored at Blind River and Port Hope until the equipment is installed and regulatory approval is received to recommence incinerator operation.

Port Hope — Conversion

The Port Hope conversion plants produce natural UO_2 and natural UF_6. In 2006, the plants produced 12.5 million kilograms of uranium as UO_2 and UF_6. The UO_2 plant is licensed for 2.8 million kilograms of uranium per year and produces UO_2 used as fuel in Canadian and other CANDU heavy water nuclear reactors, as well as blanket fuel for light water nuclear reactors. The UF_6 plant, licensed for 12.5 million kilograms of uranium per year, converts UO_3 to UF_6 using hydrogen, hydrogen fluoride and fluorine in a series of process steps. The UF_6 is then shipped to enrichment plants in the United States, Europe and Japan for further processing to low enriched UF_6 prior to conversion to enriched UO_2, which is used as reactor fuel for light water nuclear reactors.

Cameco has filed with the CNSC a project description for Vision 2010, a project to modernize the Port Hope conversion facility site. The CNSC has advised that the project will be subject to an environmental assessment in order to comply with regulatory requirements. The scope of the required environmental assessment study has not yet been issued by the CNSC.

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 Zircatec. The purchase was completed on February 1, 2006, at a purchase price of $109 million. Zircatec's Port Hope facility manufactures fuel bundles for CANDU reactors. Zircatec's Cobourg facility produces zirconium tubing for use in fuel bundles, and other Candu reactor components and monitoring equipment. Zircatec has the capacity to produce approximately 1.2 million kilograms of uranium annually as finished fuel. Zircatec has approximately 120 unionized employees who are represented by the United Steelworkers. Zircatec's collective agreement with its unionized employees expires on June 1, 2007.

Zircatec 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 Zircatec's business. Under the arrangement, Zircatec will manufacture UO_2 provided by Cameco into finished nuclear fuel bundles for the Bruce A and B reactors.

Zircatec's Port Hope plant is planned to be modified to produce a new fuel bundle containing slightly enriched uranium dioxide powder (SEU) for use in the Bruce A and possibly the Bruce B reactors. Zircatec 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 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. Zircatec is currently licensed to process limited quantities of enriched uranium, but needs a license amendment to proceed with the manufacture of commercial quantities for the LVRF fuel bundles. The CNSC has determined that an environmental assessment is required to support the licence amendment and the plant modifications to manufacture LVRF. Zircatec intends to apply for the licence amendment following approval of the environmental assessment. Zircatec has already produced some demonstration bundles containing SEU. The modifications costs have been paid by BPLP; however, discussions regarding new cost sharing arrangements for the Zircatec plant modifications are expected to occur. These discussions are the result of the plan for LVRF to be used first in the Bruce A reactors in connection with the Bruce A refurbishment project.

Research and Development

The activities of all operations are supported by the Cameco 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 2006, expenditures related to these activities were approximately $2.7 million.

Legal Proceedings

A description of certain legal proceedings to which Cameco or its subsidiaries are a party is included in Note 24 to the Consolidated Financial Statements for the fiscal year ended December 31, 2006, 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 $312.6 million. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of approximately $209.5 million in the form of letters of credit to satisfy current regulatory requirements. See Note 8 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2006.

Cameco Initiatives

Cameco's environment and safety and health efforts are both corporate and site-based. Accordingly, 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 2006, annual expenditures of about $40 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, Smith Ranch-Highland, Crow Butte and Inkai 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 were concentrated on 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 AREVA's predecessor Cogema). The Company also co-operates with the northern community environmental quality committees organized by the province of Saskatchewan. At its fuel services sites in Ontario, Cameco also conducts regular environment-focused community liaison activities.

Canada

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

Decommissioning and Reclamation

Once the Company's reserves of a particular deposit in Canada have been exhausted or after processing activities have been permanently suspended, Cameco and its partners are required by law to decommission operating sites, including waste rock and tailings management facilities, and reclaim those areas affected by their activities, to the satisfaction of provincial and federal regulatory authorities. For financial statement purposes, Cameco recognizes the fair value of the liability for an asset retirement obligation in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earnings and is reduced by actual costs of decommissioning and reclamation. Cameco's estimation of these future costs is based upon the application of reclamation techniques, which are believed to be capable of generating reasonable environmental and radiological performance. These estimates are reviewed by the Company for accounting purposes, as well as for licence renewal applications as required by regulatory agencies. The regulatory agencies accept the decommissioning plans in concept. As Cameco properties approach or go into decommissioning, further regulatory review of the detailed decommissioning plans may result in additional requirements, associated costs and financial assurances. As of December 31, 2006, Cameco carried a liability of $209 million on its balance sheet for reclamation costs related to its uranium ($118 million) and fuel services ($91 million) businesses. See Note 8 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2006.

Both the CNSC and SE have regulations requiring financial assurances for decommissioning and reclamation of mine sites. 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 $36.4 million, for McArthur River in the amount of $6.2 million, and Key Lake in the amount of $38 million. Cameco has also provided a $3.5 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 Zircatec'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 Zircatec facilities in the amount of $3.3 million. The decommissioning estimates for these facilities were reviewed as part of the renewal of their CNSC licences. As a result, the decommissioning estimates for these facilities have increased to about $150 million.

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. CEI 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. In a hearing that took place in January 2007, the CNSC considered the environmental assessment screening report for this project. With respect to the Port Hope and Welcome Waste portion of the project, the CNSC has accepted the screening report and concluded the project, taking into account mitigation measures identified in the screening report, is not likely to cause significant adverse environmental effects.

Pursuant to the Principles of Understanding, in March 2004, Cameco reached an agreement to transfer the Port Granby Waste Site and Welcome Waste Site 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 licence 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 $4.5 million has actually been spent to the end of 2006.

Cameco has an agreement with Denison Mines Corporation 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 effluent from Cameco's Saskatchewan mine and mill sites, regulatory expectations with respect to firefighting and emergency response, and decisions arising from the current evaluation of substances carried out under the *Canadian Environmental Protection Act*, 1999 ("CEPA"). Changes to the regulatory framework may require additional response by Cameco in the near term in order to remain in compliance.

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, where additional studies have translated into further regulatory requirements on the Company. Cameco continues to face challenges from the burden of increasing regulatory demands from the CNSC, Canadian Environmental Assessment Agency and other federal and provincial regulators.

In addition to the issues noted above, the primary 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 licence conditions has expanded. Lower tier operational changes are increasingly subject to regulatory review, which may include delays due to longer regulatory approval processes. These increasing requirements are expected to result in gradually increasing administration costs and some additional capital expenditures for compliance. As well, the complex regulatory approval process reduces Cameco's flexibility to make operational changes in a timely fashion.

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

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 three wellfields under restoration. In accordance with regulatory requirements, Crow Butte has provided a $23 million (US) letter of credit to the State of Nebraska as security for decommissioning the property.

Smith Ranch-Highland has three wellfields under restoration. In accordance with regulatory requirements, PRI has provided letters of credit totalling $40 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. 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 that 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 that materially affect the Company's uranium business.

Treaty on the Non-Proliferation of Nuclear Weapons (the "NPT")

The NPT was established in 1970 and is an international treaty with the following objectives: to prevent the spread of nuclear weapons and weapons technology, to foster the peaceful uses of nuclear energy, and to further the goal of achieving general and complete disarmament. The NPT establishes a safeguards system under the responsibility of the International Atomic Energy Agency (the "IAEA"). A number of countries are signatories to the NPT, including Canada, the US, the United Kingdom and France. As Canada, the US and other jurisdictions signed the NPT, Cameco is subject to it and complies with IAEA requirements.

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 that 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 licences to new operators, the renewal of existing licences, and amendments to existing licences. A person may only possess or dispose of nuclear substances and construct, operate and decommission its nuclear facilities in accordance with the terms and conditions of a CNSC licence. The licence specifies conditions that the licensees must satisfy in order to maintain the right to operate their nuclear facilities.

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

The NSCA grants to the CNSC the power to act as a court of record, the right to require financial guarantees for nuclear waste management and decommissioning as a condition of granting a licence, order-making powers, 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 licence applicants and licensees make adequate provision for the protection of the environment.

All of the Canadian operations of the Company are governed primarily by licences granted by the CNSC and are subject to all applicable federal statutes and regulations and to all laws of general application in the province where the operation is located, except to the extent that such laws conflict with the terms and conditions of the licence or applicable federal laws. Failure to comply with licence conditions or applicable statutes and regulations may result in orders being issued, which may cause operations to cease or be curtailed or may require installation of additional equipment, other remedial action or the incurring of additional capital or other expenditures to remain compliant. The Company may also be subject to prosecution (including criminal prosecution in some circumstances) 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 provincial legislation in addition to federal legislation of general application. 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 with this intent.

Uranium Export Regulation

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

US Uranium Industry Regulation

Uranium recovery in the US is primarily regulated by the NRC pursuant to the *Atomic Energy Act of 1954*, as amended. Its primary function is to ensure the protection of employees, the public and the environment from radioactive materials and it also regulates most aspects of the uranium recovery process. The NRC regulations pertaining to uranium recovery facilities are codified in Title 10 of the Code of Federal Regulations ("10 CFR"). The NRC issues Domestic Source Material Licences pursuant to 10 CFR Part 40. The review of a licence 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 licence 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 Occupational 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 licences 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 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 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 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 taking actions that 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 (the "ERFN") 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 December 2006, Cameco was copied on correspondence sent by legal counsel to the ERFN to various provincial government Ministers that indicated that if any further permits are issued without appropriate consultation and notification, the ERFN will "take appropriate actions to prevent the permit holders from intruding on their property."

In January 2005, the Métis Nation of Saskatchewan made a similar assertion to that made by ERFN in February 2004, 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 ERFN 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 that 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 that 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%	$	16.16
Plus	4%	$	24.24
Plus	5%	$	32.33

The above prices are applicable to 2006 and are in Canadian dollars. The index value required to calculate 2007 rates is expected to be published in April 2007.

For example, if the sales price realized by Cameco was $35 per pound in Canadian dollars, tiered royalties would be calculated as follows (assuming all capital allowances have been reduced to zero):

[6% x ($35.00 – $16.16) x pounds sold] + [4% x ($35.00 – $24.24) x pounds sold] + [5% x ($35.00 – $32.33) x pounds sold]

Cameco did not pay tiered royalties in 2006 and prior years due to the availability of prescribed capital allowances that reduce uranium sales subject to tiered royalties. Cameco expects its capital allowances to be fully exhausted during 2007 and, therefore, expects to pay tiered royalties in 2007. The amount of tiered royalties payable in 2007 is estimated to be $10 million, after tax. Cameco will be eligible for additional capital allowances once Cigar Lake commences production,

at which time Cameco expects to not be required to pay tiered royalties until the additional allowances are fully exhausted.

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 0.3% (reducing to 0.15% July 1, 2007) 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 3.3% (reducing to 3.1% July 1, 2007) 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 0.285% 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 2006 was $91.7 million.

For federal income tax purposes, 65% of royalties are deductible in 2006 increasing to 100% in 2007. 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 *Income Tax Act.* The resource allowance is 35% deductible in 2006 in calculating taxable income. The resource allowance deduction is being phased out and has been eliminated for 2007. Cameco's Ontario fuel services operations and Bruce Power are eligible for the manufacturing tax credit and processing tax credit.

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 2006 was 2.8 million (US).

The Company's US subsidiaries are subject to US federal and state income tax. 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. Current income tax expense for 2006 was $6.5 million.

Employees

At December 31, 2006, Cameco and its subsidiaries had 2,446 employees (this number does not include Centerra and Joint Venture Inkai employees). Of this total, 791 employees are represented by four separate locals of the United Steelworkers trade union. The collective agreements for each of the two bargaining units at the Port Hope conversion facility expire on June 30, 2007 and the collective agreement for the bargaining unit at Zircatec expires June 1, 2007. The collective agreement for the bargaining unit employees at the McArthur River and Key Lake operations expires December 31, 2009.

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 Power A Limited Partership ("BALP") was formed to hold a sublease for the two Bruce A nuclear-powered units that have been operating and two additional Bruce A units that are presently undergoing refurbishment. Cameco no longer holds an interest in the four Bruce A units and does not have any ownership interest in BALP.

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, British Energy plc ("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 Workers' 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* below). The loan is due February 10, 2008 and bears interest at 10.5% per annum. At December 31, 2006, the entire amount was outstanding.

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

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, BALP was formed and the four Bruce A reactors were subleased by BPLP to BALP. Cameco is not part of BALP 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 BALP, for the assets transferred to BALP 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 were 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 in 2005 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 BALP 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 evaluating the restart of units A1 and A2 and certain working capital items.

Immediately following the restructuring, Cameco began to proportionately consolidate its share of BPLP's financial results. 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.

Cameco's total commitment for financial assurances given on behalf of BPLP is estimated to be $266 million at December 31, 2006. These financial assurances include financial assurances given to the CNSC in support of BPLP's operating licence, 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, 2006, the actual exposure was $84 million. See Note 24 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2006.

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 2006, the aggregate of these rent payments was approximately $170 million. 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 3,324 megawatts, were commissioned between 1984 and 1987. The four Bruce A reactors, with a combined generating capacity of 3,000 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, BALP. Cameco does not have any ownership interest in BALP. An average capacity factor of 91% was achieved by BPLP during 2006 compared to 79% achieved in 2005.

In 2006, BPLP's capital expenditures were about $103 million. In 2007, this capital expenditure program is expected to total $103 million.

New Fuel Program

As part of its Bruce B power uprate project, BPLP had initiated plans to refuel the Bruce B units with modified fuel containing SEU and Blended Dysprosium Uranium ("BDU"). This refuelling was planned to commence in 2008, but now has been delayed, as outlined below. Prior to 2004, all of the four Bruce B units were 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 operating limitation ensures that the necessary safety margin is maintained. The use of the modified fuel was intended to restore the safety margins of the reactors and allow them to operate at their design capacity. Currently, the Bruce B units are operating safely with the reduced operating margins. In early 2007, the operator of A and B units revised its fuel deployment strategy and is now developing plans to load the modified fuel into the Bruce A reactors prior to loading any modified fuel into the Bruce B reactors. This revised strategy, while subject to finalization of all commercial arrangements, will effectively delay the power uprate program at Bruce B. A similar safety margin issues exists at the Bruce A units and regulatory approval of the Bruce A refurbishment program is dependent on the modified fuel being deployed in the refurbished reactors. This strategy change recognizes the time required to complete the extended regulatory process to approve the Zircatec manufacture of the modified fuel and loading the Bruce A units.

BPLP has successfully taken other steps to partially restore power rating at the Bruce B units. In 2004, the CNSC provided approval to operate the Bruce B units at up to 93% maximum power on the basis of improved safety margins attributed to completion of the fuel core reordering program. Bruce B units 6 and 7 have achieved this power uprate with Bruce B unit 5 scheduled to receive this uprate in 2007 and Bruce B unit 8 in 2008.

While the delay of the deployment of the modified fuel at Bruce B is not expected to result in any derating due to the low probability accident margins, it remains possible that the units could experience significant derating in the future due to this issue. However, some small, marginal deratings are possible to maintain the operating safety margins as the units continue to age.

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-2020 (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 2016 to 2020.

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, 2006, 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 tubes 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 with the objective 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 1960s 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 as 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 3,700 employees. Most of them are unionized. The PWU and the Society Collective Agreements expire December 31, 2009. Under the 2005 restructuring agreements, all employees remain with BPLP and all employee costs are apportioned between BPLP and BALP.

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 BALP. This does not include the procurement or supply to BALP of uranium concentrates.

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

BALP is also pursuing the use of SEU as part of its refurbishment project for the two Bruce A units. Cameco is working with BALP, Zircatec and others in the development of SEU. Cameco expects BALP's use of SEU will not significantly reduce natural UO_2 conversion services sold to BALP.

Zircatec's Port Hope plant is planned to be modified to produce fuel bundles containing SEU, subject to reaching agreement with BALP. Zircatec has commenced the process to obtain regulatory approval from the CNSC to produce these fuel bundles (see *Uranium Fuel Conversion Services – Operations* above).

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 licences. The material short-term OPG services include: nuclear operating support services and steam generator and fuel channel inspection and maintenance services. These services may be terminated upon 12 months prior notice by either 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 below 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. In late 2005, 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* above). Under licences 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 licence to operate the Bruce B nuclear units and a licence to operate the Bruce A nuclear units, which licences took effect on May 11, 2001.

On September 24, 2003, and February 5, 2004, CNSC hearings were held to consider the renewal of the power reactor operating licences for the Bruce A and B reactors. On March 12, 2004, BPLP received a 5-year operating licence to operate the "A" and "B" reactors through March 31, 2009. Financial assurances required by the CNSC in respect of this licence were determined to be $71 million. Under the 2005 Bruce Power restructuring agreements, Cameco is indemnified by BALP 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. Once completed, this review could result in 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 base load nuclear and hydro 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 51% of BPLP's output was sold under fixed-price contracts in 2006. 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 refurbishment implementation 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 the Independent Electricity System Operator ("IESO"), an agency established by Ontario government. 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 cents per kilowatt hour 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 cents per kilowatt hour 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 cents per kilowatt hour and monthly consumption above that level at 5.5 cents per kilowatt hour. 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 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 base load 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 dropped 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 increased to 4.7 cents per kilowatt hour and will go up to 4.8 cents per kilowatt hour 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 generating capacity) would be completely shut down by 2009. In 2006, the Ontario government recognized that it would be unable to completely shut down the coal fired generating facilities by 2009 but reaffirmed its commitment to eliminate the coal fired electrical generating facilities at the earliest possible time without compromising reliability. The government also announced its intention to have OPG commence a study of new nuclear facilities at one or more of its sites. There has been no decision to proceed with a new nuclear build in the province.

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 that 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.

In 2006, the OPA commenced its development of an Integrated Power System Plan ("IPSP"). The IPSP is a comprehensive plan which identifies conservation, generation and transmission investments needed in Ontario in the next three to five years while looking ahead on a twenty year horizon. The Minister of Energy in directing the preparation of the IPSP note that one of the IPSP goals was to plan for nuclear capacity to meet base-load electricity requirements but limit the installed in-service capacity over the life of the plan to 14,000 MW. It is expected that the OPA will submit the IPSP to the OEB for review and approval in the late spring or early summer of 2007.

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 continuing discussions with the Province of Manitoba to expand the transmission inter-ties between Ontario and Manitoba. In 2006, the Ontario government announced the signing of an agreement between Hydro-Quebec TransEnergie and Hydro One Networks for the construction of a new 1,250 MW Quebec-Ontario interconnection.

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

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 a 100% interest in the Gatsuurt development property in Mongolia, located 35 kilometres from the Boroo mine, and a 62% interest in the REN exploration property in Nevada. In 2006, the Kumtor mine produced about 304,000 ounces of gold and the Boroo mine produced about 283,000 ounces of gold. In 2007, Centerra expects production to be 700,000 to 720,000 ounces of gold.

At the end of the year, Centerra updated its reserve and resource estimates. Reserves of 208,000 ounces of gold have been added at Kumtor before accounting for mining of 416,000 ounces of contained gold in 2006. The reserve grade has also increased from 3.8 to 4.7 grams of gold per tonne. These changes were primarily a result of the higher-grade mineralization in the SB Zone and the conversion of mineral resources to mineral reserves at the Sarytor deposit. At Boroo, reserves of 342,000 ounces of contained gold have been added, which replace reserves mined in 2006. The 2006 year-end reserves were estimated using a gold price of $475 (US) per ounce. The 2005 year-end reserve estimates used a gold price of $400 (US) per ounce. The increase in the gold price used for reserve estimation had a minimal contribution to the reserve increase.

The Kumtor reserves are scheduled to be mined and milled over the seven-year period from 2007 to 2014, with low-grade stockpiles being milled in the last two years. The Boroo mine is expected to be depleted in 2010. Detailed estimates of gold reserves and resources are reported at *Centerra Gold Inc. — Reserves and Resources* below.

As at December 31, 2006, Cameco's interest:

- in the reserves at Kumtor, Boroo and Gatsuurt amounted to total proven and probable reserves of 3.65 million ounces of gold; and
- in the resources at Kumtor and Boroo mines and Gatsuurt and REN exploration properties, amounted to 2.71 million ounces of gold in measured and indicated resources and 1.38 million ounces of gold in inferred resources.

Centerra does not have any third party debt. Its gold production is completely unhedged.

For 2007, Centerra has budgeted $110 million (US) of capital expenditures.

In December 2006, Centerra announced a $36 million (US) underground exploration and development program at the Kumtor mine to further explore the underground potential of the high-grade SB zone.

At the same time, Centerra announced that it would develop a $20 million (US) heap leach addition to the Boroo mine to process approximately 645,000 ounces of contained gold.

In the future, Centerra's subsidiaries face varying exposures to cash corporate income taxes. In the Kyrgyz Republic, in 2007 Centerra has minimal exposure to current corporate income taxes due to the availability of tax loss carry-forwards to offset taxable income. In Mongolia, a Centerra subsidiary's third year of a three-year Mongolian 100% tax relief period ended March 1, 2007. Starting March 1, 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 ten-year period from 1997 to 2006, the Kumtor mine produced 5.85 million ounces of gold.

Doing Business in the Kyrgyz Republic

The Kyrgyz Republic is a landlocked and mountainous country located in the middle of the Asian continent. It is bordered by 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 was once a constituent republic of the Soviet Union. In 1991, the country declared its independence and became a member of the Commonwealth of Independent States (the "CIS"). Since independence, the nation has undertaken substantial economic and political reforms, such as the introduction of an improved regulatory system and land reforms, and has undergone a transition to a market-oriented economy. The government and international financial institutions have also engaged in a comprehensive medium-term poverty reduction and economic growth strategy. 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.

The country's legal system, both legislative and judicial, has been substantially reformed since 1991. However, the legal system has not matured to the level of those of developed economies. These factors make it prudent for foreign investors to seek additional protection through contractual agreements with the government in order to stabilize the investment environment and provide for an independent forum for conflict resolution.

On February 28, 2005, the Kyrgyz Republic's 105-member bicameral parliament ceased to exist and was replaced by a unicameral parliament with 75 seats. The new unicameral parliament has broader constitutional powers, with certain powers being relinquished to it by the President. These changes were made pursuant to constitutional referendums 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 mine site due to roadblocks on public highways. The roadblocks ended 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 Akaev, who had first been elected to that position in 1991, resigned under allegations of election fraud. The newly elected parliament designated Mr. Kurmanbek 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 was appointed the Prime Minister.

Following the resignation 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 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 Prosecutor General's office requested documents from Kumtor Operating Company ("KOC") and Centerra as part of a criminal investigation into 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 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 had any material negative effect on Kumtor, and to Centerra's knowledge, they are inactive or are currently not being pursued by the Kyrgyz authorities. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of significant political debate.

The political situation in the Kyrgyz Republic continued to evolve in 2006. On April 29, 2006, opposition parties held peaceful demonstrations in Bishkek to demand constitutional reform and government administration changes. After months of political crisis and several rounds of failed negotiations over constitutional reform, further demonstrations took place in November 2006 that ultimately resulted in constitutional amendments introduced at the end of 2006. The opposition parties accused President Bakiyev of pushing the country into political deadlock by failing to implement the democratic reforms he promised when he was elected in July 2005.

As a result of constitutional amendments introduced at the end of 2006, the President has gained substantial constitutional powers. The Cabinet resigned on December 19, 2006. Mr. Kulov, who served as Prime Minister from September 2005 to December 19, 2006, was replaced by Mr. Azim Isabekov. Mr. Isabekov took office on February 1, 2007. On February 6, 2007, Parliament approved a proposal for a new government structure submitted by Prime Minister Isabekov. Subsequently, a new Cabinet was formed. Opposition groups opposed to the President and his administration have announced plans for further public demonstrations in April 2007. There remains a risk of future political instability.

Based on the long-term relationship between the government of the Kyrgyz Republic and Cameco as the founders of Centerra, Prime Minister Isabekov invited Cameco to discuss a number of issues concerning Kumtor. Based upon this invitation, Cameco and Centerra entered into negotiations with the new government to address the government's concerns about the agreements entered into in connection with the Kumtor restructuring, as well as to stabilize further the operational environment for the Kumtor project.

On March 26, 2007, Parliament voted to accept a draft bill for further deliberation with respect to Kumtor and other mineral deposits. The draft bill challenges the legal validity of the Kumtor agreements, proposes recovery of additional taxes and other amounts relating to past activities, as well as consolidating all gold deposits, including Kumtor, in one state-owned mining company. Cameco expects the draft bill to be the subject of extensive discussion and parliamentary procedure before being considered for further approval, if at all. The draft bill has no legal effect at this time. Cameco and Centerra believe the parliamentary action is intended to apply additional pressure on them in the negotiation process. In response to this, Centerra has notified the government of the Kyrgyz Republic that it is expanding its current international arbitration with respect to unrelated matters to include the introduction of the draft bill on the basis that such action constitutes a breach of the Investment Agreement (as defined below in *Relevant Kyrgyz Law and Investment Agreement with the Government of the Kyrgyz Republic*).

The Kumtor restructing in 2004 was approved by government decrees and was supported by legal opinions from the Kyrgyz Ministry of Justice. In addition, the Kyrgyz government was represented by independent legal counsel and financial advisors for the Kumtor restructuring. The International Finance Corporation and the European Bank for Reconstructuction and Development also participated in the restructuring transactions.

If the issues between Cameco and the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Cameco's investment in Centerra may increase significantly. Cameco is uncertain whether an agreement can be reached to resolve the issues with the government of the Kyrgyz Republic.

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 that 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.

In December 2006, at the direct request of the government, KGC paid disputed amounts relating to land tax and high altitude premium payable to its Kumtor mine employees. Centerra has begun international arbitration to recover the disputed amounts. The total amount in dispute for 2006 is about $7 million (US).

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 target, the Southwest deposit, 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 Licence (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 licence comprising 56.5 hectares and covering the Southwest deposit. The license expires on December 31, 2008. The Southwest deposit probable reserves are estimated at 1.6 million tonnes at 3.6 grams of gold per tonne for 185,000 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 has also been granted the exclusive right to develop any mineral resources within a 7.5 kilometre radius from the perimeter of the original Concession Area, an area covering approximately 26,300 hectares, which includes the Concession Area, the Northeast target, the Southwest deposit, Sarytor and adjacent areas to the southwest, as well as the surface rights area (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 Licence 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 deposit.

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 2.7 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 2006, Centerra spent $4.64 million (US) on the construction 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 650 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, an independent international engineering company, BGC Engineering Inc. ("BGC Engineering"), conducted further assessments of the tailings dam movement. BGC Engineering recommended the construction of an extension to the shear key and buttress to slow the creep rate of the dam. This construction was completed in 2006.

All material permits and licences 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, KOC, acted as operator of the joint venture for which it received a management fee.

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

Geology and Mineralization

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

There are four major thrust slices comprising the mine geology, with an inverted age relationship. Each thrust sheet contains older rocks than the sheet it structurally overlies. The slice hosting the Kumtor gold mineralization is composed

of Vendian (youngest Proterozoic or oldest Paleozoic) metasediments, 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 1,900 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 of gold 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 of gold 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 of gold per tonne, depending on the cut-off grade. The Stockwork Zone plunges northeasterly at 40° to 50°, and diminishes in size below elevation 3,900. 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 south-western part of the deposit, the SB Zone (a division of the South Zone) has recently been identified below elevation 3,900. The SB Zone has a 360 metre strike length and has a down dip length ranging from 70 to 600 metres, depending on the geological section. It is open to depth, along strike to the southwest and down plunge to the northeast. While its full dimensions remain 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 and resources (including inferred resources) of the Kumtor deposit as the result of drilling conducted in 2005 and 2006.

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 the economically 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 deposit 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. The Southwest deposit is covered by the Sarytor glacier, beyond which additional mineralization is known as the Sarytor deposit.

The structural/lithological framework of the Southwest and Sarytor deposits 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 deposit, 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 deposit 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 Inc. (presently SNC-Lavalin Engineers & Constructors Inc.) was commissioned to prepare a feasibility study to evaluate the Kumtor deposit. In addition to the work completed prior to the feasibility study in 1994, in the interval from 1998 to 2006, KOC has completed 414 diamond drill holes having an aggregate length of 127,860 metres in the area of the Kumtor deposit itself and an additional 362 diamond drill holes over an aggregate length of 59,411 metres in exploration areas surrounding the Kumtor deposit.

Exploration expenditures at Kumtor were $14 million (US) during 2006. These expenditures relate primarily to ongoing drilling in the immediate vicinity of the Central Pit and the Sarytor deposit. At Kumtor, planned exploration

expenditures for 2007 are $15 million (US) (not including $17 million (US) allocated to underground exploration and development for 2007).

The 2006 exploration drilling program had the following contribution, on a project basis, to the year-end increase in reserves and resources at Kumtor:

- At the SB Zone, 1.8 million ounces of inferred resources have been identified by the 2006 diamond drill program. Additional underground drilling is planned for 2007.
- Most of the increase in inferred resources at the Central Pit is due to positive drilling results from the SB Zone beneath the current pit design for the south end of the Central Pit. The SB Zone has been extended significantly to depth, and as of December 31, 2006, a high-grade underground inferred resource of 1.8 million ounces of contained gold with an average grade of 20.5 grams of gold per tonne has been identified below the current Central Pit. Centerra has approved a $36 million (US) underground exploration program to construct an underground decline so diamond drilling can be completed to define and explore the resources and evaluate the feasibility of underground mining. Construction is expected to begin in the second quarter of 2007.
- At the Sarytor deposit, resources were upgraded by the in-fill drilling completed in 2006 and 296,000 ounces added to reserves.
- Measured and indicated resources increased by 481,000 ounces.

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 2,125 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. Labour relations to date have been generally good and there has been only been one work stoppage due to a labour dispute in December 2006. KGC reached agreement with trade union representatives on the material terms of a new, two-year labour agreement in February 2007.

Mining

The Kumtor deposit is mined using conventional open pit mining methods.

Initially, part of the ore body was overlain by an icecap 10 to 30 metres thick. A part of the 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 3,842 metre elevations. The ultimate pit design plan envisages mining down to the 3,650-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 5.7 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, 2006, a total of 53.9 million tonnes of ore has been milled with an average gold

content of 4.22 grams of gold per tonne. The total gold recovered was 5.85 million ounces. In addition, 589 million tonnes of waste and ice had been mined for an overall strip ratio of 10.9 to 1.

Highwall Ground Movements

On July 8, 2002, a pit wall failure at the Kumtor mine (the "2002 highwall ground movement") resulted in the temporary suspension of mining operations. While some ground movement is common, this was a very significant and unexpected movement that 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 2002 highwall ground movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible to mining. Consequently, KGC milled lower-grade ore and achieved lower recovery rates. As at December 31, 2005, the entire area affected by the 2002 highwall ground movement had been mined out.

Following the 2002 highwall ground movement, Centerra's geotechnical consultant, Golder Associates Ltd. ("Golder"), 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 2002 highwall ground movement. The evaluation of the data resulting from the additional investigation programs led to a revision of the structural model in the area of the northeast wall and a reformulation of 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, was postulated as being the main cause of the failure.

Centerra's claim under its insurance arrangements for certain losses it incurred as a result of the 2002 highwall ground movement, in particular the failure of the working bench, was settled in August 2006 for approximately $13.6 million (US).

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 November 2004, KOC supplemented the existing external consulting expertise used for geotechnical assessment and review by initiating a long-term consultancy agreement with SRK Consulting (UK) Ltd. ("SRK UK") for the provision of structural geology expertise.

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

On July 13, 2006, a pit wall ground movement in a significant portion of the northeast wall of Kumtor's Central Pit was detected by the monitoring system. Kumtor's slope monitoring system was effective, enabling safe advance evacuation of the mining area. The movement occurred above the higher-grade Stockwork Zone that was planned to be mined in 2006 and 2007. While the Stockwork Zone was not covered, safety concerns identified in the engineering analysis undertaken after the event required a new mining sequence, which deferred production from this area. As a result, mill feed planned from this area was replaced with low grade ore stockpiles. Production in 2006 totalled 303,582 ounces of gold compared to a projection of 410,000 to 420,000 ounces of poured gold (revised as of April 30, 2006). Mining of the north wall affected by the ground movement was postponed. Mine production equipment from this area was moved to the SB Zone to accelerate stripping in order to access higher-grade ore expected in mid-2007.

Following the highwall ground movement, Golder and SRK UK 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 recurrence. The detailed surface mapping and geotechnical drilling data provided 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 the identification of a previously unknown set of structural

features that, in conjunction with existing known structures, resulted in the formation of an unstable wedge as mining progressed.

Golder's recommendations resulted in the flattening of the final highwall in the north end of the Central Pit to 30 degrees from 34 degrees prior to the highwall ground movement. These changes have been incorporated in the December 31, 2006 reserve statement. Centerra has re-sequenced mining of the ore body and continues to mine at full capacity.

Recently, very minor slope movement has been detected in the waste dump above the Central Pit, SB Zone highwall. The waste dump slope is currently being mined at a 31 degree angle. Two geotechnical drill holes have been completed and three more drill holes are planned to collect data to determine whether modification of the slope angle is required to stabilize the waste dump.

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 made effective December 22, 2005, as subsequently amended, Kyrgyzaltyn is permitted, until May 15, 2007, to defer payments for gold for up to 12 calendar days. Kyrgyzaltyn has agreed to sell, before May 15, 2007, a sufficient number of Centerra common shares to yield $12 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. While this amending agreement is in effect, 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. Effective November 10, 2005, KOC advanced $1 million (US) to Kyrgyzaltyn, to be repaid from management fees otherwise payable by KOC to Kyrgyzaltyn. During 2006, management fees to Kyrgyzaltyn were offset against an advance of $1.0 million (US) which was made in respect of such fees in November 2005.

Environmental, Health and Safety Matters

Centerra's operations at the Kumtor mine are subject to environmental and safety 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 federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines.

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

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 was confirmed, that 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 (US). 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 interrupted 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 KGC and ask that KGC 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, in December 2006 an agreement was signed between KGC and the government under which KGC agreed to make interest-free advances of approximately $4.4 million (US) to the government. As at March 19, 2007, $3 million (US) has been advanced. This money has been distributed to members of the local communities by a committee created by the government to administer the distribution of compensation. The final advance of $1.4 million (US) will be made in 2007. Half of the loan ($2.2 million (US)) is repayable not later than 2010 and is secured by Centerra common shares held by Kyrgyzaltyn. The balance will be forgiven in 2012, provided that the government does not default on its obligations in the Investment Agreement.

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, 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 $20.3 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 1998, a reclamation trust fund was established for the future costs of reclamation, net of estimated salvage values of $14.9 million (US). In order to fund this amount, contributions are made to the fund over the life of the mine based on ounces of gold sold. At December 31, 2006, the balance in the fund was $4.7 million (US), with the remaining $1.4 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 that estimated total costs of $21 million (US). In 2007, a new decommissioning and reclamation plan will be developed to take into account the extension of the mine life and addition of new equipment to the mine and mill operations.

Kumtor Reserve and Resource Estimates

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

1. Key Assumptions
   - The mineral reserves reported include allowances for dilution and mining recovery;
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 of gold per tonne at the Southwest deposit and to 60 grams of gold per tonne in low-grade zones at the Central Pit and 100 grams of gold per tonne in the high-grade SB zone;
   - 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 Central Pit northeast wall to increase wall stability;
   - metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 57% to 90% with a life of mine average of 82.3%;
   - mineral reserves at the Kumtor mine are not only based on grades but also on the volume and location; and
   - for the purpose of estimating mineral 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, mineral reserves within the current ultimate pit designs for Kumtor, the Southwest and the Sarytor deposits were calculated with a cut-off grade based on a gold price of $475 (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
   - mineral reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported mineral resources does not include amounts identified as mineral reserves.

The cumulative experience of reconciling ten years of production with the mineral reserve estimates for the areas mined has resulted in a high degree of confidence in projections of future production.

Although Cameco believes Kumtor mineral reserve and resource estimates are unlikely to be materially affected by external factors, such as: ground movements and pit wall failures; 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 is 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. 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, 2006, the Boroo mine produced about 283,000 ounces of gold. Exploration expenditures were $1 million (US) in 2006. At year-end 2006, 342,000 ounces of contained gold have been added, which replaces mineral reserves mined in 2006. The mineral reserve and resource estimates for Boroo are found below at *Centerra Gold Inc. – Reserves and Resources*.

Boroo has approximately 710 employees. The proportion of Mongolian citizens in the permanent workforce is approximately 93% 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.

Minerals Law

Mongolian minerals legislation is principally governed by the Minerals Law of Mongolia (the "Minerals Law"). The Minerals Law provides that all mineral resources in the country are the property of the state and that the state, through its agency the Mineral Resources and Petroleum Authority of Mongolia ("MRPAM"), has the right to grant exploration and mining (exploitation) licenses. The body responsible for governing rights related to all minerals-related licenses is the MRPAM's Office of Geological and Mining Cadastre ("OGMC").

On July 8, 2006, the Mongolian Parliament enacted a new Minerals Law, which became effective as of August 26, 2006. The provisions of the Minerals Law 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. The key legislative changes approved by the Mongolian Parliament are described below.

The amendments introduced a definition of strategic mineral deposits. Mineral deposits that have a potential impact on national security, economic and social development, or deposits that have a potential of producing above 5% of the country's GDP may be designated as mineral deposits of strategic importance. Parliament may designate a deposit as a strategic deposit on its own initiative or by referral from the government. The amendments provide that the state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves. The percentage of the state's share shall be determined by an agreement made with the license holder on exploitation of the deposit, considering the amount of investment made by the state. The state may take up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state's budget. Under the new Minerals Law, a legal person duly formed and operating under the laws of Mongolia, who holds a mining license for a mineral deposit of strategic importance, is required to sell no less than 10% of its shares through the Mongolian Stock Exchange.

On February 6, 2007, Parliament designated the Boroo deposit as strategic, but resolved that the state would take no interest in Boroo on the basis that the stability agreement (the "Stability Agreement") between Boroo Gold Company ("BGC"), which is indirectly owned by Centerra and holds the rights to the Boroo gold deposit, and the government,

should continue to govern the Boroo deposit. The government has not acknowledged that the strategic deposit provisions will not apply to the Gatsuurt Project.

The new Minerals Law contains a new single-rate royalty for all metals of 5%. This doubles the 2.5% rate that previously applied to hard-rock gold.

The new Minerals Law also contemplates the entering into of investment agreements (formerly referred to as stability agreements) between the government and investors with respect to mineral properties. Investment agreements provide increased protection to investors making large, long-term commitments. Projects involving an investment of $50 to $100 million (US) will have 10-year terms; $100 to $300 million (US) projects will have 15-year terms; and projects involving more than $300 million (US) will have 30-year terms.

Mineral exploration and mining licenses are granted to legal persons duly formed and operating under the laws of Mongolia who are Mongolian taxpayers. These entities may be foreign-owned. Under the new Minerals Law, the initial term of a mining license is 30 years and may be extended two times for a period of twenty years each. Existing license holders will be required to convert their licenses within five months to bring them in conformance with the periods specified by the new Minerals Law. The Minerals Law provides that the holder of an exploration license has an absolute right to obtain a mining license covering all or any portion of the exploration license area subject to the approval of the provincial governor. The holder of a mining license must prepare an environmental impact assessment and environmental protection plan either before or as soon as possible after receiving a license and must comply with certain reporting requirements to the OGMC.

While it is still early to make a definitive assessment, the new Minerals Law appears likely to have a negative impact on the investment climate for the mining industry, especially foreign investors.

Windfall Profits Tax

On May 14, 2006, the Mongolian Parliament passed a new law that imposes a windfall profits tax of 68% in respect of gold sales at a price in excess of $500 (US) per ounce. On November 13, 2006, the Mongolian government submitted to Parliament amendments to the windfall profits tax law to ease the burden on gold mining companies. The amendments called for the 68% windfall profits tax gold price threshold to be raised from $500 (US) to $650 (US) per ounce. As of March 19, 2007, Parliament has not passed the amendments to the windfall profits tax law and it is uncertain whether such an amendment will ever be enacted.

The government has acknowledged that the windfall profits tax will not apply to Boroo for so long as the Stability Agreement remains in effect. However, in discussions between the government and Centerra regarding an investment agreement in respect of the Gatsuurt project, the government has not yet agreed to provide similar protection to the Gatsuurt project.

Stability Agreement

The Stability Agreement was entered into by BGC and 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 at least $25 million (US) in development of the deposit. Centerra has met this requirement. In return, the Mongolian government has 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 is exempt from all income taxes for a period of three years following commencement of commercial production and is entitled to 50% tax relief for the subsequent three-year period. BGC began commercial production on March 1, 2004. Accordingly, BGC became subject to tax beginning March 1, 2007. The Stability Agreement provides that the parties shall submit unsettled disputes regarding the project or the Stability Agreement to international arbitration.

As of 1998, the Mongolian Business Income Tax Law imposed taxes on taxable income of business entities at the rate of 15% of taxable income up to 100 million tugrigs (approximately $90,000 (US)) and 40% of taxable income above this

amount. Amendments to this law effective January 1, 2004 have reduced the generally applicable rates from 15% to 7.5% of taxable income up to 100 million tugrigs and from 40% to 30% of taxable income above 100 million tugrigs. A further amendment effective January 1, 2007 introduced a 10% rate for taxable income up to 3.0 billion tugrigs and a 25% rate for taxable income above this amount. BGC has been unsuccessful to date in receiving confirmation from the Mongolian Minister of Finance that these rate reductions apply to BGC. Thus, pursuant to the Stability Agreement, BGC paid no Mongolian income taxes with respect to its taxable income attributable to Boroo for the three-year period from the commencement of production and ending on March 1, 2007. For the subsequent three-year period, BGC will be subject to tax at a maximum rate of 7.5% of taxable income up to 100 million tugrigs and 20% of taxable income above this amount. 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 40% of taxable income above this amount.

Centerra continues its negotiations regarding the Stability Agreement (and a Gatsuurt investment agreement, as discussed below) amid strong nationalistic sentiment in the country. No agreements have yet been reached. The Minister of Finance has alleged certain tax-related violations by BGC, and has notified BGC on January 15, 2007 that the Stability Agreement will be terminated unless the alleged violations are cured within 120 days. BGC responded to the Minister of Finance that in all cases it has either remedied the alleged violations or strongly disputes that a violation exists. On February 13, 2007, BGC received a reply from the Minister of Finance reiterating the allegations. Centerra believes that this dispute will be resolved through negotiations with the government.

While Centerra believes that the termination of the Stability Agreement is unlikely, such termination could have a material adverse effect on the project by subjecting it to the provisions of the new Minerals Law, including the strategic deposit provisions of such law as well as the new windfall profits tax. In September 2006, at the request of the Mongolian government, Centerra and BGC entered into discussions with the government regarding amendments to the Stability Agreement, including its tax stabilization provisions. These discussions have not yet resulted in agreement between the government on the one hand, and Centerra and BGC on the other.

The Stability Agreement currently applies only to the Boroo mine and does not apply to the Gatsuurt property. Centerra is in negotiations with the Mongolian government regarding a new investment agreement for Gatsuurt. Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that Parliament could designate it as a strategic deposit and take up to a 34% interest. In addition, Gatsuurt might be subject to the windfall profits tax. In light of these risks, Centerra has suspended further development of the property pending completion of negotiations with the government.

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.

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

Surface rights have been obtained, providing sufficient surface area for the mill, and for tailings and waste rock disposal. Contracts are in place for the operation of the permanent camp, reagent storage, mining of aggregate materials, fuel storage, operation of a fuel dispensing station and the tailings dam. BGC must pay a 2.5% royalty on gold and silver sales to the Mongolian government.

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 6,900 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 15,000 tonnes per day of ore and approximately 35,000 tonnes per day of waste. The strip ratio for the year ended December 31, 2006 was 5 to 1. The remaining life of mine strip ratio is expected to be 2.5 to 1. During 2006, mining occurred in Pits 3, 5 and 6. 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 2.5 million tonnes per year. The gravity circuit recovers about 30% to 50% of the gold contained in the ore and the overall gold recovery has been 92% in the first two years in accordance with the expectations based on the metallurgical test work, but has since decreased to 87% due to processing of marginally refractory ore from Pit 5 in 2006.

BGC is proceeding to construct a $20 million (US) heap leach facility, with commissioning expected in the third quarter 2007. The facility will have a 3 million annual tonne capacity. As of September 2006, approximately 645,000 ounces of contained gold were expected to be processed over the six-year life of the heap leach facility from 19.9 million tonnes of ore with an estimated average grade of 1.01 grams of gold per tonne.

Subsequently, the 2006 year-end reserve estimates have resulted in a revised heap leach production schedule. The most significant reason for this revision is displacement of high-grade heap leach to the mill to sustain milling capacity until the Gatsuurt development project commences production. Other reasons include changes to the Boroo resource model, changes in the Boroo recovery models, and changes to the Boroo ultimate pit design. The heap leach project is now expected to process ore containing 528,259 ounces of contained gold over the six-year life of the heap leach project from 17.7 million tonnes of ore (which includes 1.4 million tonnes for Gatsuurt) with an estimated average grade of 0.93 grams of gold per tonne. This total includes an additional 210,956 ounces of contained gold at an average grade of 0.68 grams of gold per tonne that was classified as probable reserves as a result of changing the cut-off grade to 0.2 grams of gold per tonne using the 2006 year-end resource model.

Gold Sales

All gold doré produced by the Boroo mine is currently exported and refined under a contract with Johnson Matthey Limited (“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, receiving up to 95% of its estimated value based on mine-site assays within five working days of delivery to the refinery, with the balance following agreement on assays.

Environmental, Health and Safety Matters

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

BGC is updating its Environment Management System to address the impacts of the Boroo operation on the environment and to monitor compliance with all legal requirements. The system provides scheduled monitoring, engineering controls and reporting on the tailings management facility, the mill, the mine and waste rock stockpiles. Specific programs that monitor environmental impacts include testing for acid generation potential, dust control, investigating and reporting spill incidents on-site and off-site, hazardous material handling, planning for site decommissioning and rehabilitation, monitoring the potable water treatment system and sewage treatment and operation of the landfill.

During 2006, BGC audited its transportation of cyanide practices against the requirements of the International Cyanide Management Code, and was found to be substantially in conformance.

Decommissioning and Reclamation

An updated closure plan has been prepared for the Boroo mine and submitted to the relevant government authorities. In addition to meeting the Mongolian regulatory requirements, the plan includes reference to international practices pertaining to closure of mining operations. The estimated cost of decommissioning and reclamation for the Boroo mine is $3.5 million (US). Funds for mine closure are accrued on an ongoing basis, and a portion of the annual environmental management budget has been deposited with the relevant authorities in accordance with prevailing laws.

Gatsuurt Development Property

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

Drilling and trenching programs have successfully delineated continuous mineralized zones at the Gatsuurt Central Zone and the Gatsuurt Main Zone areas.

An updated feasibility study was completed in 2006 that added an economic open pit in the Main Zone in addition to the Central Zone open pit identified in a December 2005 study. On a project basis, probable reserves at Gatsuurt, for the Central and Main Zone combined, are estimated at 9.1 million tonnes at average grade of 3.4 grams of gold per tonne for 1 million ounces of contained gold. The estimated capital cost to develop these reserves is about $75 million (US).

The preferred option 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 Boroo reserves. Mill production will be optimized by processing the higher-grade oxide ore from Boroo and Gatsuurt, followed by the Gatsuurt sulphide ore. This has the potential to extend the life of the Boroo facility to 2014.

BGC is currently in discussions with the government of Mongolia regarding amendments to the Stability Agreement and the negotiation of an investment agreement for Gatsuurt under the new Minerals Law. The purpose of these negotiations is to conclude definitive agreements that will provide continued long-term stability to Boroo and enable the prompt development and long-term stability of Gatsuurt. Without an investment agreement for Gatsuurt, the Mongolian government could take up to a 34% interest in the property and Gatsuurt might become subject to the new windfall profits tax of 68% when gold reaches $500 (US) an ounce. In light of these risks, Centerra has suspended further development of the Gatsuurt property pending completion of negotiations with the government.

Assuming successful completion of negotiations and the resolution of the dispute with Gatsuurt LLC, the project will be developed in two stages. The first stage, scheduled to start in 2007, is budgeted at $20 million (US) and is to construct the 54 kilometre access road, mine facilities at Gatsuurt, expand the camp at Boroo and provide the required mobile mining equipment. The second stage, budgeted for $55 million (US), will commence detailed engineering in 2008 with procurement and construction scheduled to begin in 2009. This stage will modify the Boroo process plant to process the sulphide ores with the addition of a bio-oxidation plant.

Ownership of the Gatsuurt licences is being disputed. 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 licences, CGM agreed to transfer the licence 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 informed Centerra that it does not believe that CGM complied with its obligation. On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (“MNAC”) alleging non-compliance by CGM and seeking: (1) an order terminating the license agreement and returning to Gatsuurt LLC all mining rights on the licensed property; (2) an order requiring CGM to carry out the environmental rehabilitation of the licensed property; and (3) an order compelling CGM to surrender to Gatsuurt LLC all reports, plans,

maps and related information concerning the licenses. CGM has challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. Centerra believes that Gatsuurt LLC's position is without merit.

A NI 43-101 technical report dated May 9, 2006 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 ("Barrick"). REN's southern boundary is 1,500 metres from Barrick's Meikle mine.

Centerra's exploration expenditures in connection with the REN property in 2006 were $2.0 million (US). Barrick has informed Centerra that it will not contribute to the exploration program for the REN property in 2007; Centerra may exercise its right under the REN Joint Venture Agreement to fund the deficiency. Consequently, Barrick's participating interest in the joint venture may decrease slightly. The amount by which it may decrease will depend on the expenditures incurred by Centerra in 2007. Barrick may earn back its participating interest only under certain circumstances.

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, was prepared by or under the supervision of the following qualified person:

Qualified Person	Properties
Ian Atkinson, Certified Professional Geologist, Vice President, Exploration, Centerra	Kumtor Boroo Gatsuurt REN

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, 2006 on a property basis and Cameco's share, which is referred to as Cameco's equity. Cameco's equity or share amounts to 52.7% of Centerra's share of the reserves and resources of the properties. The amount of reported resources does not include those amounts identified as reserves.

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".

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 pre-feasibility studies. Investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

Reserves (1) (Tonnes and Ounces in Thousands)(11)(12)

	Proven (100% Basis)			Probable (100% Basis)			Total Proven and Probable Reserves					
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Cameco Equity (oz)(3)	Estimated Metallurgical Recovery %	Mining Method(4)
Kumtor(6)	12,014	4.9	1,893	19,426	4.6	2,852	31,440	4.7	4,745	2,500	82%	OP
Boroo	5,294	2.6	449	19,230	1.3	785	24,523	1.6	1,234	618	76%	OP
Gatsuurt	—	—	—	9,101	3.4	1,005	9,101	3.4	1,005	530	88%	OP
Total(12)	**17,308**	**4.2**	**2,342**	**47,757**	**3.0**	**4,642**	**65,064**	**3.3**	**6,984**	**3,648**		

Measured and Indicated Resources(2) (Tonnes and Ounces in Thousands)(11)(12)

	Measured (100% Basis)			Indicated (100% Basis)			Total Measured and Indicated Resources				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Cameco Equity (oz) (3)	Mining Method(4)
Kumtor(5)(6)	17,710	3.5	1,964	14,810	3.2	1,538	32,520	3.3	3,502	1,845	OP
Boroo(5)(8)	680	2.0	45	5,519	1.4	240	6,199	1.4	284	142	OP
Gatsuurt(9)	—	—	—	6,238	3.0	607	6,238	3.0	607	320	OP
REN(10)	—	—	—	2,991	12.7	1,220	2,991	12.7	1,220	399	UG
Total	**18,390**	**3.4**	**2,009**	**29,558**	**3.8**	**3,605**	**47,948**	**3.6**	**5,613**	2,706	

Inferred Resources (100% Basis)(2) (Tonnes and Ounces in Thousands)(11)(12)

Property	Tonnes	Inferred Grade (g/t)	Contained Gold (oz)	Cameco Equity (oz)(3)	Mining Method(4)
Kumtor(5)(6)	571	2.2	40	21	OP
Kumtor SB Underground(7)	2,781	20.5	1,830	964	UG
Boroo(5)(8)	7,772	1.0	240	120	OP
Gatsuurt(9)	2,437	3.3	256	135	OP
REN(10)	835	16.1	432	141	UG
Total	**14,396**	**6.0**	**2,798**	**1,381**	

(1) For the purpose of estimating mineral reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and in accordance with US Securities and Exchange Commission Industry Guide 7, reserves have been estimated with cut-off grades based on a gold price of $475 (US) per ounce.

(2) Mineral resources are in addition to mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.

(3) Cameco's equity interest amounts to 52.7% of Centerra's equity interest of reserves and resources for the properties. Centerra's equity interest for the properties are: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.

(4) "OP" means open pit and "UG" means underground.

(5) Open pit resources occur outside the current pits, which have been designed using a gold price of $475 (US) per ounce.

(6) The open pit mineral reserves and resources at Kumtor are estimated based on a cut-off grade of 1.3 grams of gold per tonne and include the Central Pit and the Southwest and Sarytor deposits.

(7) Underground mineral resources occur below the Central Pit shell and are estimated based on a cut-off grade of 7.0 grams of gold per tonne.

(8) The mineral reserves and resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated recovery. The cut-off grades range from 0.2 to 0.8 grams of gold per tonne.

(9) The mineral reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cut-off grade depending on the type of material and the associated recovery. High-grade values were also cut using variable limits ranging from 20 to 45 grams of gold per tonne depending on the mineralized zone.

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

(11) A conversion factor of 31.10348 grams of gold per ounce is used in the reserve and resource estimates.

(12) Numbers may not add up due to rounding.

Gold Reserves and Resources Reconciliation

The following reconciliation of Cameco's share of gold mineral reserves and resources reflects the changes in gold reserves and resources during 2006. Changes in mineral 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. The large majority of the additions to mineral reserves and resources during 2006 at Kumtor is attributable to exploration results, with only a minimal part of the increase attributable to these other factors. The changes in mineral reserves and resources at Boroo in 2006 are primarily attributable to the inclusion of lower-grade heap leach material into the mineral reserves. The minor increases in mineral reserves at Gatsuurt are a result of the change in gold price.

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

	December 31, 2005	2006 Throughput (2)	2006 Addition (Deletion) (3)	December 31, 2006
Reserves – Proven				
Boroo	387,000	(163,000)	1,000	225,000
Gatsuurt	0		—	0
Kumtor(4)	1,106,000	(219,000)	110,000	997,000
REN	0		—	0
Total Proven Reserves	1,493,000	(382,000)	111,000	1,222,000
Reserves – Probable				
Boroo	222,000	0	171,000	393,000
Gatsuurt	0		530,000	530,000
Kumtor(4)	1,503,000	0	—	1,503,000
REN	0		—	0
Total Probable Reserves	1,725,000	0	701,000	2,426,000
Total Proven and Probable Reserves	**3,218,000**	**(382,000)**	**812,000**	**3,648,000**
Resources – Measured				
Boroo	74,000		(52,000)	22,000
Gatsuurt(6)	0		—	0
Kumtor(5)	861,000	0	174,000	1,035,000
REN	0		—	0
Total Measured Resources	935,000	0	122,000	1,057,000
Resources – Indicated				
Boroo	27,000	0	93,000	120,000
Gatsuurt(6)	977,000	0	(657,000)	320,000
Kumtor(5)	730,000	0	80,000	810,000
REN	393,000	0	6,000	399,000
Total Indicated Resources	2,127,000	0	(478,000)	1,649,000
Total Measured and Indicated Resources	**3,062,000**	**0**	**(356,000)**	**2,706,000**
Resources – Inferred				
Boroo	84,000	0	36,000	120,000
Gatsuurt(6)	199,000	0	(64,000)	135,000
Kumtor(5)	423,000	0	562,000	985,000
REN	42,000	0	99,000	141,000
Total Inferred Resources	**748,000**	**0**	**633,000**	**1,381,000**

Notes

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

(2) Corresponds to mill feed. The discrepancy between the 2006 mill feed and Cameco's share of 2006 ounces produced is due to mill recovery.

(3) Changes in mineral reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of mineral 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 mineral reserves include the Central Pit and the Southwest deposit and Sarytor deposit.

(5) Kumtor mineral resources include the Central Pit, the SB underground, the Southwest deposit and Sarytor deposit.

(6) Gatsuurt mineral reserves and 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") 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 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.

To the best of Centerra's knowledge EBRD, continues to hold all the Centerra common shares it was issued pursuant to its Agency Exchange Agreement and IFC no longer holds any Centerra common shares.

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. In addition, Kyrgyzaltyn has agreed not to sell, transfer or encumber any of its shares during any period during which the Kyrgyz government is in default of its obligations under the principal agreements relating to the Kumtor restructuring. Kyrgyzaltyn's shares are held in escrow to ensure compliance with these transfer restrictions. As at March 19, 2007, Kyrgyzaltyn had 33,869,151 common shares held in escrow, representing 15.7% of Centerra's issued and outstanding common shares.

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).

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 and mills 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 losses in relation to 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 and at Zircatec's manufacturing facilities in Port Hope and Cobourg. The collective agreement for unionized employees at the McArthur River and Key Lake operations expires on December 31, 2009. 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 Zircatec's fuel manufacturing facilities expires on June 1, 2007. Centerra's subsidiary, KGC, has a collective agreement covering unionized employees at the Kumtor mine, which expires in February 2009. An illegal work stoppage by unionized employees at Kumtor occurred in December 2006 in connection with negotiating the new collective agreement, which impacted mining operations. 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; the accuracy of estimated rates and costs of mining and processing; and the assumption of ongoing timely regulatory approvals where these are required.

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 ore bodies and the processing of new or different ore grades; risk and hazards associated with mining, milling, uranium refining, conversion and fuel manufacturing; failure of mining methods; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements and cave-ins; significant interruption to production facilities due to fires or failure of critical equipment; 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 that 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 that 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 that are subsequently abandoned due to poor exploration results or the inability to define reserves that 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 ore bodies 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 that 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 ore body; 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, licences and approvals that contain conditions that must be met and Cameco's and Centerra's right to continue operating their facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of Cameco's and Centerra's facilities or material fines or penalties, all of which could have 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, licences and permits which are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The receipt, duration and renewal of such approvals, licences and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-government organizations or aboriginal groups claiming certain rights with respect to traditional lands. Any significant delays in obtaining or renewing such approvals, licences or permits could have a material adverse 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 has brought a measure of stability to the Kyrgyz Republic following the events of March 2005, the political situation continues to evolve. The government resigned in late 2006. Cameco and Centerra are meeting with the new government to discuss a number of issues concerning Kumtor. If the issues between Cameco and the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Cameco's investment in Centerra may increase significantly. Cameco is uncertain if an agreement can be reached to resolve these issues. There continues to be a risk of future political instability in the Kyrgyz Republic. (For a discussion of the recent political unrest in the Kyrgyz Republic and other matters related to Kyrgyz political risk see *Centerra Gold Inc. — Kumtor Mine - Government and Political Factors* above).

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 civil unrest, terrorism, military conflict or repression, crime, corruption, extreme fluctuations in currency rates and 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 or to fully compensate Cameco or Centerra for the loss of the 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.

In this regard, the Mongolian Minister of Finance has alleged certain tax-related violations by BGC and notified BGC on January 15, 2007 that the Stability Agreement will be terminated unless the alleged violations are cured within 120 days, BGC responded to the Minister of Finance that in all cases it has either remedied the alleged violations or disputes that a violation exists. On February 13, 2007, BGC received a reply from the Minister of Finance reiterating the allegations. Centerra believes that this dispute will be resolved through negotiations with the government. The termination of the Stability Agreement, however, could result in: the government taking up to 50% interest in the project; subject BGC to the new windfall profits tax; and would subject BGC to general applicable tax rates. See *Centerra Gold Inc. — Boroo Mine — Stability Agreement* 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 their 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. A third party has challenged Centerra's title to its Gatsuurt Property (see *Centerra Gold Inc. — Gatsuurt Development Property* above).

The validity of unpatented mining claims on US 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 that 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 *Centerra Gold Inc. — Gatsuurt Development Property* above, 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.

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, 2006, about 6% of Cameco's forecast revenue under contract, for the period 2007 to 2009, is with customers whose creditworthiness does not meet Cameco's standards for unsecured payment. 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 the production costs of both are 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, the sales of gold are converted into Canadian dollars at prevailing exchange rates. As of December 31, 2006, Centerra also had $216 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 have 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. As Cameco properties approach or go into decommissioning, further regulatory review of the detailed decommissioning plans may result in additional requirements, associated costs and 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 used in the preparation of Cameco's December 31, 2006 consolidated financial statements are described in Note 2 to such statements under the heading "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 either 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, development and operation of mining properties and the operation of uranium, milling, 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, technical and 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, Cameco and Centerra may be unable to acquire rights to exploit additional attractive mining properties

on terms that Cameco 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 Cameco 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. Even if they do acquire such interests, the resultant business arrangements may not ultimately prove beneficial to their businesses.

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 and have entered into a number of other joint ventures. 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; 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; significant production interruptions or delays in expansion plans; 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)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Spot										
High	14.30	11.80	10.90	9.40	9.50	10.20	14.40	20.50	36.50	72.00
Low	10.20	8.75	9.60	7.10	7.20	9.70	10.10	15.60	21.20	37.50

(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)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Spot										
High	6.10	5.10	3.85	3.25	5.25	5.25	6.50	9.00	12.00	11.75
Low	5.10	3.50	2.55	2.35	3.65	5.05	4.90	6.80	11.00	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.

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. In April 2006, the second shaft at Cigar Lake was flooded. This shaft was under development at the time and as a result it was not connected to the underground development area. Remediation is planned to take place primarily by ground freezing around the perimeter of the shaft that remains to be developed.

In October 2006, a water inflow occurred at Cigar Lake, following a rock fall in an access tunnel that was being developed to a future production area. The magnitude of the inflow exceeded the installed pumping and water treatment capacity, flooding the existing underground excavations. The Company is proceeding with a phased remediation plan to dewater and restore the underground development areas. This water inflow has had many significant impacts upon Cameco, among others, including a significant delay in Cigar Lake production, an increase in capital costs, and requiring Cameco to give notice to many of its customers that it was declaring an interruption in planned supply.

There is also the risk of a flood at the Rabbit Lake mine. However, the Rabbit Lake reserves are fully basement rock ore deposits and therefore it is not subject to the same risks as the more technically challenging unconformity hosted deposits at McArthur River and Cigar Lake.

There can be no guarantee against floods in the future at McArthur River, Rabbit Lake or Cigar Lake. A flood could result in a significant interruption of operations, and a loss of reserves and a material increase in costs. 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. Water inflows and floods are generally not insurable.

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, 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 2011. 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.

Tailings Capacity Constraints

At the Key Lake mill, tailings from processing McArthur River ore are deposited in the Deilmann tailings management facility (TMF). Currently approved capacity of the Deilmann TMF is sufficient to operate at current production rates for processing McArthur River ore for approximately 10 years, assuming only minor storage capacity losses due to sloughing from the pit walls.

Cameco has initiated the necessary work to achieve regulatory approval for a final higher tailings elevation that will be sufficient to hold all tailings generated from processing the current McArthur River reserves. This higher final tailings elevation was incorporated conceptually in the environmental assessment process that granted approval to develop the McArthur River mine, but the detailed technical analysis to support formal regulatory acceptance of the expansion has not yet been completed.

At Rabbit Lake, the existing approved tailings capacity at the RLITMF is sufficient to store tailings from the processing of Eagle Point ore until the end of 2010. Approval for a higher tailings elevation would be required to continue milling beyond that time. Cigar Lake ore will be processed at AREVA's McClean Lake mill into a uranium solution. Under the Rabbit Lake toll milling agreement, about 57% of the uranium solution will be shipped to the Rabbit Lake mill and further processed into U_3O_8. This process will generate tailings at Rabbit Lake. Although there was sufficient capacity for Cigar Lake tailings in the RLITMF when the Rabbit Lake toll-milling agreement was originally signed, unanticipated ongoing production from the Eagle Point mine due to mine life extensions has consumed some of the existing tailings capacity planned for Cigar Lake tailings. Cameco has determined that the RLITMF will require expansion and is working with the regulators to determine what regulatory approvals are required.

Failure to maintain existing tailings capacity at the Deilmann TMF and RLITMF or failure to obtain or delay in obtaining regulatory approval for a new tailing management facility or to expand existing tailing capacity at the Deilmann TMF or RLITMF could constrain uranium production, which could have a material adverse impact upon Cameco.

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 Canada 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 2007 through 2009, Cameco's five largest customers are anticipated to account for approximately 45% of the Company's contracted supply of U_3O_8. For the period 2007 through 2009, Cameco's five largest UF 6 conversion customers are anticipated to account for approximately 35% 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 accounting for approximately 37% of the Company's UO_2 sales in 2006. In addition, during 2006, revenues from one customer of Cameco's uranium and conversion segments represented approximately $64 million (7%) of Cameco's total revenues from those businesses. As well, sales for the Bruce A and B reactors represent a substantial portion of the 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 that 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* above). 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 3,700 employees. Most of them are unionized. The PWU Collective Agreement expires December 31, 2009. 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 licences for its nuclear generation facilities, the imposition of additional conditions under such licences, 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.

BPLP has decided to delay introduction of modified fuel in the Bruce B units. Previously, the plan was to start refuelling the Bruce B units with modified fuel commencing in 2008. The use of the modified fuel was intended to restore the safety margins of the reactors and allow them to operate at their design capacity. Currently, the Bruce B units are operating safely with reduced operating margins. BPLP has successfully taken other steps to partially restore the power rating at the Bruce B units. While the delay of the deployment of the modified fuel at Bruce B is not expected to result in any derating due to the low probability accident margins, it remains possible that the units could experience significant derating in the future due to this issue. 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 licence conditions on BPLP. (See *Bruce Power LP – The Generating Facilities – New Fuel Program* above.)

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 licences for its nuclear generation facilities, the imposition of additional conditions under such licences, 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* above. 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 Zircatec 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.

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 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 US 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 that sets forth for the periods indicated the average closing gold prices in US dollars per ounce.

Average London PM Fix
(US$)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
US$ Average	331	294	279	279	271	310	363	409	444	604

On March 28, 2007 the closing price of gold on the London market (PM Fix) was $666.75 (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 2006 year-end reserve estimates and current mining plans, the Kumtor mine is expected to be depleted by 2014 and the Boroo mine is expected to be depleted by 2010.

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 milled lower-grade ore and achieved lower recovery rates. In February 2004, movement was also 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. In July 2006, a pitwall ground movement occurred that resulted in lower than anticipated gold production in 2006 and re-sequencing of mining of the ore body. (See *Kumtor Mine-Highwall Ground Movements* above 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 or a material increase in costs 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 or a material increase in costs, this could have a material adverse impact on Cameco.

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.

In this regard, the Mongolian parliament has passed a new Minerals Law that, among other things, empowers parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposits that have a potential of producing above 5% of the country's GDP as deposits of strategic importance. The state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves and up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state budget. See *Centerra Gold Inc. — Boroo Mine — Minerals Law* above. The Mongolian parliament has also passed a new law that imposes a windfall profits tax of 68% when gold reaches $500 per ounce. See *Centerra Gold Inc. — Boroo Mine — Stability Agreement* above.

The Stability Agreement affords Boroo protection against these laws. However, Mongolia's Minister of Finance has alleged certain tax-related violations by BGC and has notified BGC that the Stability Agreement will be terminated unless the alleged violations are cured by the middle of April 2007. Since Boroo has been designated as a strategic deposit, the Mongolian government could take up to a 50% interest in the project under the new Minerals Law if the Stability Agreement is terminated. In addition, BGC could be subject to the windfall profits tax. See *Centerra Gold Inc. — Boroo Mine — Stability Agreement* above.

Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that the Mongolian parliament could designate it as a strategic deposit and take up to a 34% interest in it under the new Minerals Law. In addition, Gatsuurt may be subject to the windfall profits tax. Accordingly, Centerra has suspended further development of the property pending the completion of negotiations with the government. See *Centerra Gold Inc. — Gatsuurt Development Property* above.

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

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

The areas surrounding both the Kumtor mine and 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.

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 *Centerra Gold – Kumtor Mine – Environmental, Health and Safety Matters* above.)

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 have and may continue to 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.

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.

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, 2006, 352,292,632 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, 2006 there were 7,390,053 stock options outstanding to acquire common shares of Cameco pursuant to the Company's stock option plan. As well, at December 31, 2006, 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* below.) (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, 2007.

As summarized in the following table, DBRS and Standard & Poor’s (“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-1 (low)(3)
Senior Unsecured Debentures	A (low)	BBB+
Convertible Debentures	BBB (high)	Not Rated

(1) Published as of July 14, 2006

(2) Published as of August 25, 2006

(3) A-1 (low) is the Canadian National Scale Rating while the Global Scale Rating is A-2.

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-5. 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 (high) to a low of D. The rating of A-1 (low) from S&P is characterized as having "satisfactory capacity to meet its financial commitments on the obligation" and is the third highest of seven 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 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 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.

In December 2006, Cameco's board of directors approved an increase in the annual dividend from $0.16 to $0.20 beginning in 2007.

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 and February 17, 2006 stock splits).

	2006	2005	2004
Cash dividends declared per common share	$0.16	$0.12	$0.10

2006 CONSOLIDATED FINANCIAL STATEMENTS

The Company's 2006 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 (adjusted for the impact of the February 17, 2006 stock split).

	TSX		
2006	High	Low	Volume
January	$45.93	$37.18	18,487,817
February	$46.82	$38.58	28,965,114
March	$44.60	$37.25	34,924,835
April	$49.40	$42.18	24,487,544
May	$49.95	$41.43	28,352,527
June	$49.23	$37.57	35,191,254
July	$48.01	$41.85	22,521,297
August	$45.90	$42.10	27,574,889
September	$47.25	$38.75	34,949,705
October	$44.28	$36.09	54,123,359
November	$43.68	$35.35	51,044,472
December	$47.75	$43.30	30,530,643

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		
2006	**High**	**Low**	**Volume**
January	$421.18	$350.01	280,130
February	$419.03	$360.63	5,820
March	$400.04	$364.30	2,650
April	$447.82	$397.14	90,110
May	$451.60	$389.28	31,250
June	$422.43	$354.96	53,990
July	$443.38	$394.65	310,950
August	$423.98	$395.22	558,785
September	$438.64	$375.41	521,250
October	$402.19	$346.41	12,170
November	$371.13	$329.02	2,550
December	$435.74	$414.19	210,400

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, Canada	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. ANNE McLELLAN (4, 5, 6) Edmonton, Alberta, Canada	Lawyer, Counsel, Bennet Jones LLP June, 2006 to present; prior: 1993 to 2006, served as a cabinet minister in various portfolios with the Canadian government, most recently as Deputy Prime Minister of Canada from 2003 to 2006.	December 2006
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, Saskatoon, Saskatchewan, Canada	Assumed current position January 2007; prior Senior Vice-President and Chief Operating Officer February 2003 to December 2006; President Kumtor Operating Company, Kyrgyz Republic 1999 — 2003.
TIMOTHY S. GITZEL Senior Vice-President and Chief Operating Officer, Saskatoon, Saskatchewan, Canada	Assumed current position January 2007; prior: Executive Vice-President, mining business unit, AREVA June 2004 to January 2007; President and Chief Executive Officer, Cogema Resources Inc. September 2001 to June 2004.
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 March 26, 2007, was 2,652,957, representing 0.75 % 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 March 26, 2007, was 62,520, 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 a number of boards of publicly traded companies, a board of one the public company’s subsidiaries, the boards of other private and not-for-profit organizations. Mr. Clappison is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario. 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 a number of boards of 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, 2006 and 2005 were as follows:

	2006	2005
Audit fees:		
Cameco and Canadian joint ventures	$ 834,000	$ 389,000
Cameco – securities	—	100,000
Centerra and other subsidiaries	895,200	574,800
	$1,729,200	$1,063,800
Audit – related fees:		
Bruce Power Reorganization	$ —	$ 70,000
SOX 404 Scoping Project	90,000	35,000
Translation services	—	10,000
Pensions and other	8,500	7,500
Zircatec — Specified Procedures	50,000	—
	$ 148,500	$ 122,500
Tax:		
Compliance	$ 167,500	$ 160,400
Planning and advice	51,700	36,400
	$ 219,200	$ 196,800
All other fees:		
	—	—
Total	$2,096,900	$1,383,100

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 which 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 that 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 Zircatec, a Canadian manufacturer of nuclear fuel bundles. The purchase was completed on February 1, 2006 at a purchase price of $109million. 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 2006 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, 2006 are named above at *Uranium Concentrates Business – Reserves and Resources*. All of the qualified persons are 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, 2006 is named above 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, 2006 Management Proxy Circular for its May 2006 annual and special meeting of shareholders and will found in Cameco's Management Proxy Circular for its May 2007 annual and special meeting of shareholders that is expected to be available in April 2007. Such additional financial information is provided in the Company's consolidated financial statements for the fiscal year-ended December 31, 2006 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

MANDATE

PURPOSE

The primary purpose of the audit committee (committee) is to assist the board of directors (board) in fulfilling its oversight responsibilities for (a) the accounting and financial reporting processes, (b) the internal controls, (c) the external auditors, including performance, qualifications, independence, and their audit of the corporation's financial statements, (d) the performance of the corporation's internal audit function, (e) risk management of financial risks as delegated by the board, (f) the corporation's process for monitoring compliance with laws and regulations (other than environmental and safety laws) and its code of conduct and ethics, and (g) prevention and detection of fraudulent activities. The committee shall also prepare such reports as required to be prepared by it by applicable securities laws.

In addition, the committee provides an avenue for communication between each of the internal auditor, the external auditors, management, and the board. The committee shall have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the committee and that the ultimate accountability of the external auditors is to the board and the committee, as representatives of the shareholders. The committee, in its capacity as a committee of the board, subject to the requirements of applicable law, is directly responsible for the appointment, compensation, retention, and oversight of the external auditors.

The committee has the authority to communicate directly with the external auditors and internal auditor.

The committee shall make regular reports to the board concerning its activities and in particular shall review with the board any issues that arise with respect to the quality or integrity of the corporation's financial statements, the performance and independence of the external auditors, the performance of the corporation's internal audit function, or the corporation's process for monitoring compliance with laws and regulations other than environmental and safety laws.

COMPOSITION

The board shall appoint annually, from among its members, a committee and its chair. The committee shall consist of at least three 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 an "audit committee financial expert" within the meaning of applicable securities law.

Members of the committee may not serve on the audit committees of more than two additional public companies without the approval of the board.

MEETINGS

The committee will meet at least four times annually and as many additional times as the committee deems necessary to carry out its duties effectively. The committee will meet separately in private with the external auditors, the internal auditor and management at each regularly scheduled meeting.

A majority of the members of the committee shall constitute a quorum. No business may be transacted by the committee except at a meeting of its members at which a quorum of the committee is present.

The committee may invite such officers, directors and employees of the corporation as it may see fit from time to time to attend at meetings of the committee and assist thereat in the discussion and consideration of any matter.

A meeting of the committee may be convened by the chair of the committee, a member of the committee, the external auditors, the internal auditor, the chief executive officer or the chief financial officer. The secretary, who shall be appointed by the committee, shall, upon direction of any of the foregoing, arrange a meeting of the committee. The committee shall report to the board in a timely manner with respect to each of its meetings.

DUTIES AND RESPONSIBILITIES

To carry out its oversight responsibilities, the committee shall:

Financial Reporting Process

1. Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgement, to the extent that the foregoing may be material to financial reporting.
2. Consider any matter required to be communicated to the committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the external auditors' report to the committee (and management's response thereto) on: (a) all critical accounting policies and practices used by the corporation; (b) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors; and (c) any other material written communications between the external auditors and management.
3. Require the external auditors to present and discuss with the committee their views about the quality, not just the acceptability, of the implementation of generally accepted accounting principles with particular focus on accounting estimates and judgements made by management and their selection of accounting principles.
4. Discuss with management and the external auditors (a) any accounting adjustments that were noted or proposed (i.e. immaterial or otherwise) by the external auditors but were not reflected in the financial statements, (b) any material correcting adjustments that were identified by the external auditors in accordance with generally accepted accounting principles or applicable law, (c) any communication reflecting a difference of opinion between the audit team and the external auditors' national office on material auditing or accounting issues raised by the engagement, and (d) any "management" or "internal control" letter issued, or proposed to be issued, by the external auditors to the corporation.
5. Discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution. Resolve disagreements between management and the external auditors regarding financial reporting.
6. Review with management and the external auditors (a) any off-balance sheet financing mechanisms being used by the corporation and their effect on the corporation's financial statements and (b) the effect of regulatory and accounting initiatives on the corporation's financial statements, including the potential impact of proposed initiatives.

7. Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
8. Review with the external auditors any audit problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management, and management's response. Resolve any disagreements between management and the external auditors regarding these matters.
9. Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
10. Review and discuss with management and the external auditors the audited annual financial statements and related management discussion and analysis, make recommendations to the board with respect to approval thereof, before being released to the public, and obtain an explanation from management of all significant variances between comparable reporting periods. Obtain confirmation from management and the external auditors that the reconciliation of the audited financial statements to U.S. GAAP complies with the requirements of U.S. securities laws.
11. Review and discuss with management and the external auditors all interim unaudited financial statements and quarterly reports and related interim management discussion and analysis and make recommendations to the board with respect to the approval thereof, before being released to the public.
12. Obtain confirmation from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) to their knowledge:
    (a) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
    (b) that the interim financial statements, together with any financial information included in the interim MD&A, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
13. Review earnings press releases, before being released to the public. Discuss the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro-forma" or "adjusted" Non-GAAP, information).
14. Review any news release, before being released to the public, containing earnings guidance or financial information based upon the corporation's financial statements prior to the release of such statements.
15. Review the appointment of the chief financial officer and have the chief financial officer report to the committee on the qualifications of new key financial executives involved in the financial reporting process.
16. Consult with the human resources and compensation committee on the succession plan for the chief financial officer and controller. Review the succession plans in respect of the chief financial officer and controller.

Internal Controls

1. Receive from management a statement of the corporation's system of internal controls over accounting and financial reporting.
2. Consider and review with management, the internal auditor and the external auditors, the adequacy and effectiveness of internal controls over accounting and financial reporting within the corporation and any proposed significant changes in them.

3. Consider and discuss the scope of the internal auditors and external auditors review of the corporation's internal controls, and obtain reports on significant findings and recommendations, together with management responses.
4. Discuss, as appropriate, with management, the external auditors and the internal auditor, any major issues as to the adequacy of the corporation's internal controls and any special audit steps in light of material internal control deficiencies.
5. Review annually the disclosure controls and procedures, including (a) the certification timetable and related process and (b) the procedures that are in place for the review of corporation's disclosure of financial information extracted from corporation's financial statements and the adequacy of such procedures. Receive confirmation from the chief executive officer and the chief financial officer of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves management or other employees who have a significant role in the corporation's internal control over financial reporting. In addition, receive confirmation from the chief executive officer and the chief financial officer that they are prepared to sign the annual and quarterly certificates required by applicable securities law.
6. Review management's annual report on the assessment of the effectiveness of the corporation's internal control over financial reporting and the external auditor's report thereon.
7. Receive a report, at least annually, from the reserves oversight committee of the board on the corporation's mineral reserves.

External Auditors

(i) External Auditors' Qualifications and Selection

1. Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the external auditors, who must be registered with agencies mandated by applicable law. The committee shall be entitled to adequate funding from the corporation for the purpose of compensating the external auditors for completing an audit and audit report.
2. Instruct the external auditors that:
   (a) they are ultimately accountable to the board and the committee, as representatives of shareholders; and
   (b) they must report directly to the committee.
3. Ensure that the external auditors have direct and open communication with the committee and that the external auditors meet regularly with the committee without the presence of management to discuss any matters that the committee or the external auditors believe should be discussed privately.
4. Evaluate the external auditors' qualifications, performance, and independence. As part of that evaluation:
   (a) at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law; and
   (b) annually review and confirm with management and the external auditors the independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for

implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and

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

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

5. Review and approve the corporation's policies for the corporation's hiring of employees and former employees of the external auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

(ii) Other Matters

6. Meet with the external auditors to review and approve the annual audit plan of the corporation's financial statements prior to the annual audit being undertaken by the external auditors, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the external auditors of the factors considered by the external auditors in determining their audit scope, including major risk factors. The external auditors shall report to the committee all significant changes to the approved audit plan.
7. Review and approve the basis and amount of the external auditors' fees with respect to the annual audit in light of all relevant matters.
8. Review and pre-approve all audit and non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the corporation by the external auditors or any other person in its capacity as external auditors of such subsidiary. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to pre-approve any audit or non-audit service engagement fees and terms. At the next committee meeting, the chair shall report to the committee any such pre-approval given. Establish and adopt procedures for such matters.

Internal Auditor

1. Review and approve the appointment or removal of the internal auditor.
2. Review and discuss with the external auditors, management, and internal auditor the responsibilities, budget and staffing of the corporation's internal audit function.
3. Review and approve the mandate for the internal auditor and the scope of annual work planned by the internal auditor, 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 conduct and ethics policy to address:

   (a) the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting or auditing matters; and

   (b) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters.

   Receive periodically a summary report from the senior vice-president law, regulatory affairs and corporate secretary on such matters as required by the code of conduct and ethics policy.
4. Monitor management's implementation of the code of conduct and ethics policy and the international business conduct policy and review compliance therewith by, among other things, obtaining an annual report summarising statements of compliance by employees pursuant to such policies and reviewing the findings of any investigations of non-compliance. Periodically review the adequacy and appropriateness of such policies and make recommendations to the board thereon.
5. Monitor management's implementation of the anti-fraud policy; and review compliance therewith by, among other things, receiving reports from management on:

   (a) any investigations of fraudulent activity;

   (b) monitoring activities in relation to fraud risks and controls; and

   (c) assessments of fraud risk.

   Periodically review the adequacy and appropriateness of the anti-fraud policy and make recommendations to the board thereon.
6. Review all proposed related party transactions and situations involving a director's, senior officer's or an affiliate's potential or actual conflict of interest that are not required to be dealt with by an "independent committee" pursuant to securities law rules, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to review all such transactions and situations. At the next committee meeting, the chair shall report to the results of such review. Ensure that political and charitable donations conform with policies and budgets approved by the board.
7. Monitor management of hedging, debt and credit, make recommendations to the board respecting policies for management of such risks, and review the corporation's compliance therewith.
8. Approve the 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

2006 Consolidated Audited Financial Statements

March 16, 2007



CAMECO CORPORATION
Corporate Office
2121 - 11th Street West
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Canada S7M 1J3

Tel 306.956.6200
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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.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The internal control system includes an internal audit function and a code of conduct and ethics, which is communicated to all levels in the organization and requires all employees to maintain high standards in their conduct of the corporation's affairs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the company's assets are appropriately accounted for and adequately safeguarded. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's system of internal control over financial reporting was effective as at December 31, 2006.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, KPMG LLP has 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.

"Gerald W. Grandey"

President and Chief Executive Officer

March 16, 2007

"O. Kim Goheen"

Senior Vice-President and Chief Financial Officer

March 16, 2007

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006. 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. With respect to the consolidated financial statements for the year ended December 31, 2006, we also conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform 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, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the corporation's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

"KPMG LLP"

Chartered Accountants
Saskatoon, Canada

March 16, 2007

Consolidated Balance Sheets

As at December 31 ($Cdn thousands)	2006	(As adjusted - note 3(b)) 2005
Assets		
Current assets		
Cash and cash equivalents	$ 334,089	$ 623,193
Accounts receivable	403,280	340,498
Inventories [note 4]	416,479	399,675
Supplies and prepaid expenses	191,831	152,790
Current portion of long-term receivables, investments and other [note 6]	8,745	8,303
	1,354,424	1,524,459
Property, plant and equipment [note 5]	3,312,152	2,871,337
Long-term receivables, investments and other [note 6]	293,714	196,747
Goodwill [note 22]	180,139	180,232
Total assets	**$5,140,429**	**$ 4,772,775**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 402,806	$ 350,398
Dividends payable	14,092	10,487
Current portion of long-term debt [note 7]	7,900	156,699
Current portion of other liabilities [note 9]	30,881	43,725
Future income taxes [note 16]	46,289	73,910
	501,968	635,219
Long-term debt [note 7]	696,691	702,109
Provision for reclamation [note 8]	228,496	167,568
Other liabilities [note 9]	232,370	98,609
Future income taxes [note 16]	339,451	444,942
	1,998,976	2,048,447
Minority interest	400,071	360,697
Shareholders' equity		
Share capital [note 10]	812,769	779,035
Contributed surplus [note 10]	540,173	529,245
Retained earnings	1,428,206	1,108,748
Cumulative translation account [note 11]	(39,766)	(53,397)
	2,741,382	2,363,631
Total liabilities and shareholders' equity	**$5,140,429**	**$ 4,772,775**

Commitments and contingencies [notes 8,24,25]

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)	2006	(As adjusted - note 3(b)) 2005	(As adjusted - note 3(b)) 2004
Revenue from			
Products and services	$1,831,690	$ 1,312,655	$ 1,048,487
Expenses			
Products and services sold	1,127,772	814,032	623,125
Depreciation, depletion and reclamation	199,665	197,516	180,229
Administration	143,014	110,187	71,844
Exploration	58,152	57,468	35,972
Cigar Lake remediation [note 12]	20,559	—	—
Interest and other [note 13]	(3,708)	12,103	14,264
Research and development	2,682	2,410	1,911
Gain on sale of assets [note 14]	(51,826)	(1,739)	(1,958)
	1,496,310	1,191,977	925,387
Earnings from operations	335,380	120,678	123,100
Earnings from Bruce Power [note 19]	—	165,775	120,722
Other income (expense) [note 15]	10,046	(13,989)	133,421
Earnings before income taxes and minority interest	345,426	272,464	377,243
Income tax expense (recovery) [note 16]	(68,843)	30,257	73,285
Minority interest	38,554	26,738	27,452
Net earnings	**$ 375,715**	**$ 215,469**	**$ 276,506**
Basic earnings per common share [note 26]	**$ 1.07**	**$ 0.62**	**$ 0.81**
Diluted earnings per common share [note 26]	**$ 1.02**	**$ 0.60**	**$ 0.77**

Consolidated Statements of Retained Earnings

For the years ended December 31 ($Cdn thousands)	2006	(As adjusted - note 3(b)) 2005	(As adjusted - note 3(b)) 2004
Retained earnings at beginning of year			
As previously reported	$1,114,693	$ 938,809	$ 694,423
Change in accounting policy for stock-based compensation [note 3(b)]	(5,945)	(3,783)	(1,504)
As adjusted	1,108,748	935,026	692,919
Net earnings	375,715	215,469	276,506
Dividends on common shares	(56,257)	(41,747)	(34,399)
Retained earnings at end of year	**$1,428,206**	**$ 1,108,748**	**$ 935,026**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (Cdn$ thousands)	2006	(As adjusted - note 3(b)) 2005	(As adjusted - note 3(b)) 2004
Operating activities			
Net earnings	$ 375,715	$ 215,469	$ 276,506
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	199,665	197,516	180,229
Provision for future taxes [note 16]	(184,639)	(51,723)	31,058
Deferred revenue recognized	(43,449)	(25,286)	(19,085)
Unrealized losses (gains) on derivatives	10,400	10,513	(7,217)
Stock-based compensation [note 20]	17,549	16,913	9,485
Gain on sale of assets [note 14]	(51,826)	(1,739)	(1,958)
Cigar Lake remediation [note 12]	15,356	—	—
Earnings from Bruce Power	—	(165,775)	(120,722)
Equity in (earnings) loss from associated companies [note 15]	5,320	(184)	(990)
Other expense (income)	—	16,577	(124,050)
Minority interest	38,554	26,738	27,452
Other operating items [note 17]	35,375	38,517	(22,666)
Cash provided by operations	**418,020**	**277,536**	**228,042**
Investing activities			
Acquisition of businesses, net of cash acquired	(83,856)	—	(3,717)
Additions to property, plant and equipment	(459,559)	(284,929)	(148,273)
Restructuring of Bruce Power	—	200,000	—
Net proceeds on sale of investment in Energy Resources Australia Ltd	—	101,956	—
Increase in long-term receivables, investments and other	(29,687)	(6,077)	(10,466)
Proceeds on sale of property, plant and equipment	46,404	10,532	1,769
Cash provided by (used in) investing	**(526,698)**	**21,482**	**(160,687)**
Financing activities			
Short-term financing	—	(14,544)	14,544
Decrease in debt	(156,700)	(167,233)	(169,083)
Increase in debt	—	—	100,300
Issue of debentures, net of issue costs	—	297,750	—
Issue of shares	27,058	25,199	41,281
Subsidiary issue of shares	—	—	101,234
Dividends	(52,660)	(39,970)	(34,262)
Cash provided by (used in) financing	**(182,302)**	**101,202**	**54,014**
Increase (decrease) in cash during the year	(290,980)	400,220	121,369
Exchange rate changes on foreign currency cash balances	1,876	(9,662)	(15,906)
Increase in cash due to accounting change [note 19]	—	43,103	—
Cash at beginning of year	623,193	189,532	84,069
Cash at end of year	**$ 334,089**	**$ 623,193**	**$ 189,532**
Supplemental cash flow disclosure			
Interest paid	$ 53,551	$ 26,610	$ 35,968
Income taxes paid	$ 115,352	$ 48,429	$ 18,262

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

($Cdn thousands except per share amounts and as noted)

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. Cameco Corporation and its subsidiaries (collectively, "Cameco" or "the company") are primarily engaged in the exploration for and the development, mining, refining, conversion and fabrication of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has a 31.6% interest in Bruce Power L.P. ("BPLP"), which operates the four Bruce B nuclear reactors in Ontario. The company wholly owns Zircatec Precision Industries, Inc., whose primary business is the fabrication of nuclear fuel bundles. Cameco's 52.7% subsidiary Centerra Gold Inc. ("Centerra") is involved in the exploration for and the development, mining and sale of gold.

2. Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, Cameco includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. The most significant estimates are related to the lives and recoverability of mineral properties, provisions for decommissioning and reclamation of assets, future income taxes, financial instruments and mineral reserves. Actual results could differ from these estimates. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

(b) Cash

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.

(c) Inventories

Inventories of broken ore, uranium concentrates, refined and converted products and gold 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.

(d) Supplies

Consumable supplies and spares are valued at the lower of cost or replacement value.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

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

Other assets are depreciated according to the straight-line method based on estimated useful lives, which generally range from three to 10 years.

(m) Research and Development and Exploration Costs

Expenditures for research and technology related to the products and processes and expenditures for geological exploration programs are charged against earnings as incurred.

(n) 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.

(o) Employee Future Benefits

Cameco accrues its obligations under employee benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Cameco measures the plan assets and the accrued benefit obligations on December 31 each year.

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

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

(p) Stock-Based Compensation

Cameco has four stock-based compensation plans that are described in note 20. These encompass a stock option plan, a performance 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 shorter of, the period to eligible retirement, or 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, performance 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.

(q) Revenue Recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers.

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 fuel services businesses. These arrangements include uranium supply, toll conversion services and conversion supply (converted uranium), which is a combination of uranium supply and toll conversion services.

Uranium Supply

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

Toll Conversion Services

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

Conversion Supply

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

Revenue from deliveries to counterparties with whom Cameco has arranged a standby product loan facility (up to the limit of the loan facilities) and the related cost of sales are deferred until the loan arrangements have been terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

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.

(r) 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.

(s) 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.

(t) 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 gains 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.

(u) 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.

3. New Accounting Pronouncements

(a) Financial Instruments – Recognition and Measurement, Hedges and Comprehensive Income

In January 2005, the CICA issued three new standards: "Financial Instruments – Recognition and Measurement", "Hedges" and "Comprehensive Income". The main consequences of implementing these standards are described below.

All financial assets and liabilities will be carried at fair value in the Consolidated Balance Sheets, except for items classified in the following categories, which will be carried at amortized cost: loans and receivables, held-to-maturity securities and financial liabilities not held for trading. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will be recorded in the Consolidated Statements of Earnings. Unrealized gains and losses on financial assets that are available for sale will be reported in other comprehensive income until realized, at which time they will be recorded in the Consolidated Statements of Earnings. All derivatives, including embedded derivatives that must be accounted for separately, will be recorded at fair value in the Consolidated Balance Sheets.

For fair value hedges, changes in the fair value of the derivatives and corresponding changes in fair value of the hedged items attributed to the risk being hedged will be recognized in the Consolidated Statements of Earnings. For cash flow hedges, the effective portion of the changes in the fair values of the derivative instruments will be recorded in other comprehensive income until the hedged items are recognized in the Consolidated Statements of Earnings.

Other comprehensive income, which comprises the above items as well as unrealized exchange gains and losses on self-sustaining foreign operations (net of hedging activities), will be included as a separate component of the new statement entitled "Statement of Shareholders' Equity" that will be added to the consolidated financial statements.

These new standards will apply to Cameco effective January 1, 2007. As at January 1, 2007, Cameco will recognize all of its financial assets and liabilities in the Consolidated Balance Sheets according to their classification. Any adjustment made to a previous carrying amount will be recognized as an adjustment to the balance of retained earnings at that date or as the opening balance of a separate item in accumulated other comprehensive income net of taxes. Cameco is completing its assessment of the impact these new standards will have on its consolidated financial statements.

(b) Stock-Based Compensation

In July 2006, the Emerging Issues Committee ("EIC") issued abstract No. 162, Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date. This EIC clarifies that the compensation cost attributable to options and awards, granted to employees who are eligible to retire or will become eligible to retire during the vesting period, should be recognized immediately if the employee is eligible to retire on the grant date or over the period between the grant date to the date the employee becomes eligible to retire. This EIC requires retroactive application to all stock-based compensation awards accounted for in accordance with the CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. This differs from the current practice that recognizes the expense over the period from the grant date to the vesting date.

The cumulative effect of the change in policy on the balance sheet at December 31, 2005 is to increase contributed surplus by $5,945,000, and decrease retained earnings by $5,945,000. The effect of the change in policy on the statement of earnings for the year ended December 31, 2005 was a $2,162,000 (2004 — $2,279,000) reduction in earnings (2005 — $0.01 per share; 2004 — $0.01 per share). The impact on 2006 financial results was negligible.

4. Inventories

	2006	2005
Uranium		
Concentrate	$280,650	$292,099
Broken ore	12,946	9,661
	293,596	301,760
Fuel Services	98,485	63,492
Gold		
Finished	5,513	14,311
Broken ore	18,885	20,112
	24,398	34,423
Total	**$416,479**	**$399,675**

5. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	2006 Net	2005 Net
Uranium				
Mining	$2,818,849	$ 1,485,452	$1,333,397	$1,329,971
Non-producing	748,442	—	748,442	577,181
Fuel Services	497,118	176,334	320,784	131,657
Electricity				
Assets under capital lease	164,300	52,400	111,900	121,200
Other	514,521	114,518	400,003	399,245
Gold				
Mining	912,948	559,071	353,877	277,485
Non-producing	2,876	—	2,876	2,877
Other	65,567	24,694	40,873	31,721
Total	**$5,724,621**	**$ 2,412,469**	**$3,312,152**	**$2,871,337**

6. Long-Term Receivables, Investments and Other

	2006	2005
BPLP [note 19]		
Capital lease receivable from Bruce A L.P.	$ 97,518	$ 97,454
Receivable from Ontario Power Generation (“OPG”)	11,281	19,181
Accrued pension benefit asset [note 21]	11,992	18,119
Kumtor Gold Company (“KGC”)		
Reclamation trust fund	6,999	5,087
Investments in associated companies		
Investment in UNOR Inc. (market value $14,452)	8,893	—
Investment in UEX Corporation (market value $219,548)	19,151	11,303
Deferred charges		
Cost of sales [notes 9, 2(q)]	75,854	—
Debt issue costs	7,372	8,538
Gold hedges	593	3,291
Investment in Huron Wind L.P.	2,340	2,527
Advances receivable	46,094	21,928
Accrued pension benefit asset [note 21]	7,889	9,689
Other	6,483	7,933
	302,459	205,050
Less current portion	(8,745)	(8,303)
Net	**$293,714**	**$196,747**

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.

7. Long-Term Debt

	2006	2005
Convertible debentures	$207,091	$ 204,577
Debentures	300,000	450,000
Capital lease obligation — BPLP [note 19]	197,500	204,231
	704,591	858,808
Less current portion	(7,900)	(156,699)
Net	**$696,691**	**$ 702,109**

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, 2006 and was approximately $957,000,000.

Cameco has $300,000,000 outstanding in senior unsecured debentures (Series C). These debentures bear interest at a rate of 4.7% per annum and mature September 16, 2015. Cameco had $100,000,000 outstanding in senior unsecured debentures (Series A) that bore interest at a rate of 6.9% per annum and were to mature July 12, 2006. Cameco also had $50,000,000 outstanding in senior unsecured debentures (Series B) that bore interest at a rate of 7.0% per annum and were to mature July 6, 2006. On January 17, 2006, Cameco redeemed in full the Series A and B debentures. The redemption prices under the trust indenture were 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 was $152,104,000 plus accrued and unpaid interest.

Cameco has a $500,000,000 unsecured revolving credit facility that is available until November 30, 2011. Cameco may also borrow directly in the commercial paper market. These amounts, when drawn, are classified as long-term debt.

Cameco has $597,080,000 ($169,320,000 (Cdn) and $367,081,000 (US)) in letter of credit facilities. The majority of the outstanding letters of credit at December 31, 2006 relate to future decommissioning and reclamation liabilities [note 8] and amounted to $213,069,000 ($137,236,000 (Cdn) and $65,076,000 (US)) (2005 — $206,647,000 ($133,522,000 (Cdn) and $62,720,000 (US))). At December 31, 2006 there were no amounts outstanding under the $300,000,000 (US) letter of credit facility that related to the standby product loan facilities.

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.

BPLP has a $150,000,000 revolving credit facility that is available until July 21, 2008 as well as a $30,000,000 letter of credit facility. As at December 31, 2006, BPLP did not have any amount outstanding under these facilities.

The table below represents currently scheduled maturities of long-term debt over the next five years.

2007	$ 7,900
2008	8,848
2009	10,112
2010	11,692
2011	13,272
Thereafter	652,767
Total	**$704,591**

Standby Product Loan Facilities

Cameco has arranged for standby product loan facilities with two Cameco customers. The arrangements, which were finalized in 2006, allow Cameco to borrow up to 5,560,000 pounds U_3O_8 equivalent over the period 2006 to 2008 with repayment in 2008 and 2009. Of this material, up to 1,400,000 kilograms of uranium can be borrowed in the form of UF_6. Under the loan facilities, standby fees of 0.5% to 2.25% are payable based on the market value of the facilities, and interest is payable on the market value of any amounts drawn at rates ranging from 4.0% to 5.0%. Any borrowings will be secured by letters of credit and are payable in kind.

The market value of the available facilities is based on the quoted market price of the products at December 31, 2006 and was approximately $416,000,000 (US). As at December 31, 2006, the company did not have any loan amounts outstanding under the facilities.

8. 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 $312,600,000. 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 $209,500,000 in the form of letters of credit to satisfy current regulatory requirements.

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

	2006	2005	2004
Balance, beginning of year	$167,568	$166,941	$150,444
Acquisition of Zircatec interest [note 23]	7,129	—	—
Additions to liabilities	50,299	579	2,074
Liabilities settled	(6,420)	(6,938)	(4,357)
Accretion expense	9,954	9,017	9,246
Impact of foreign exchange	(34)	(2,031)	(5,318)
Acquisition of Kumtor interest	—	—	14,852
Balance, end of year	**$228,496**	**$167,568**	**$166,941**

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 — $312,600,000.

(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 – 5.25% to 7.50% for operations in North America; 8.00% for operations in Kyrgyzstan; 8.50% for operations in Mongolia.

The asset retirement obligations liability is comprised of:

	2006	2005
Uranium	$118,272	$101,573
Fuel Services	90,789	44,923
Gold	19,435	21,072
Total	**$228,496**	**$167,568**

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.

9. Other Liabilities

	2006	2005
Deferred sales [notes 6, 2(q)]	$107,330	$ —
Deferred currency hedges	26,333	26,171
Accrued post-retirement benefit liability [note 21]	12,166	7,403
Zircatec acquisition holdback [note 23]	20,000	—
BPLP		
Accrued post-retirement benefit liability [note 21]	86,856	78,149
Deferred revenue — electricity contracts	856	16,047
Other	9,710	14,564
	263,251	142,334
Less current portion	(30,881)	(43,725)
Net	**$232,370**	**$ 98,609**

10. Share Capital

Authorized share capital:
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of voting common shares, and
- One Class B share

(a) Common Shares

Number Issued (Number of Shares)	**2006**	**2005**	**2004**
Beginning of year	349,570,048	346,080,138	340,616,538
Issued:			
Debenture conversions	5,905	16,150	—
Stock option plan [note 20]	2,716,679	3,473,760	5,463,600
Issued share capital	**352,292,632**	**349,570,048**	**346,080,138**

Amount	**2006**	**2005**	**2004**
Beginning of year	$779,420	$751,145	$711,063
Issued:			
Debenture conversions	64	175	—
Stock option plan [note 20]	33,361	28,100	40,082
Issued share capital	812,845	779,420	751,145
Less loans receivable	(76)	(385)	(586)
End of year	**$812,769**	**$779,035**	**$750,559**

(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

	2006	(as adjusted - note 3(b)) **2005**
Beginning of year		
As previously reported	$523,300	$ 511,674
Change in accounting policy for stock-based compensation [note 3]	5,945	3,783
As adjusted	$529,245	$ 515,457
Stock-based compensation [note 20]	17,549	16,913
Options exercised [note 20]	(6,612)	(3,102)
Debenture conversions	(9)	(23)
End of year	**$540,173**	**$ 529,245**

11. 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.

12. Cigar Lake Remediation

As a result of the water inflow at Cigar Lake, Cameco recorded an expense of $20,559,000. Of the amount recorded, $15,356,000 related to the write-down of assets while $5,203,000 related to remediation efforts. Future costs associated with the remediation will be expensed as incurred.

On March 16, 2007, the board of directors approved a new plan for the remediation and continued development of the Cigar Lake uranium project. Cameco's share of additional development costs is estimated to be $274 million, bringing the total construction costs to develop the project to $508 million. In addition, Cameco expects to incur remediation expenses of $32 million in 2007 and $9 million in 2008. The new plan is subject to the approval of the partners of the Cigar Lake Joint Venture.

13. Interest and Other

	2006	2005	2004
Interest on long-term debt	$ 43,223	$ 35,388	$ 40,014
Redemption of preferred securities	—	—	6,817
Other interest and financing charges	4,642	1,600	3,870
Foreign exchange losses	1,413	3,719	331
(Gains) losses on derivatives	10,400	7,754	(7,217)
Interest income	(32,348)	(10,517)	(4,819)
Capitalized interest	(31,038)	(25,841)	(24,732)
Net	**$ (3,708)**	**$ 12,103**	**$ 14,264**

14. Gain on Sale of Assets

	2006	2005	2004
Interest in Fort a la Corne Joint Venture	$(44,782)	$ —	$ —
Voting rights in Fort a la Corne Joint Venture	(5,889)	(161)	—
Other	(1,155)	(1,578)	(1,958)
Net	**$(51,826)**	**$ (1,739)**	**$ (1,958)**

15. Other Income (Expense)

	2006	2005	2004
Insurance settlement (Kumtor)	$15,366	$ —	$ —
Equity in earnings (loss) of associated companies	(5,320)	184	990
Sale of investment in Energy Resources Australia Ltd	—	83,673	—
Dividends on portfolio investments	—	2,022	1,383
Writedown of portfolio investments	—	(6,323)	—
Restructuring of Bruce Power	—	(93,545)	—
Restructuring of gold business	—	—	122,946
South Texas Project break fee	—	—	8,102
Net	**$10,046**	**$(13,989)**	**$133,421**

16. Income Taxes

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

	2006	2005
Assets		
Property, plant and equipment	$ 173,774	$ 129,823
Provision for reclamation	65,234	53,901
Foreign exploration and development	31,144	33,618
Other	37,031	53,691
Future income tax assets before valuation allowance	307,183	271,033
Valuation allowance	(128,771)	(112,519)
Future income tax assets, net of valuation allowance	**$ 178,412**	**$ 158,514**
Liabilities		
Property, plant and equipment	$ 502,579	$ 571,585
Inventories	18,935	12,100
Long-term investments and other	42,638	93,681
Future income tax liabilities	**$ 564,152**	**$ 677,366**
Net future income tax liabilities	**$ 385,740**	**$ 518,852**
Less current portion	(46,289)	(73,910)
	$ 339,451	**$ 444,942**

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:

	2006	(as adjusted - note 3(b)) 2005	(as adjusted - note 3(b)) 2004
Earnings before income taxes and minority interest	$ 345,426	$ 272,464	$ 377,243
Combined federal and provincial tax rate	39.3%	42.4%	43.5%
Computed income tax expense	135,752	115,525	164,101
Increase (decrease) in taxes resulting from:			
Reduction in income tax rates	(66,749)	—	—
Provincial royalties and other taxes	1,092	3,079	5,541
Federal resource allowance	(6,617)	(8,181)	2,251
Manufacturing and processing deduction	(5,719)	(1,321)	(7,439)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(133,988)	(91,049)	(61,398)
Non-taxable portion of capital gain	—	(10,300)	(28,448)
Change in valuation allowance	19,126	17,019	(11,185)
Capital and other taxes	2,296	8,602	5,780
Stock-based compensation plans	6,700	7,037	4,119
Recovery of taxes due to amendment of tax treatment	(16,950)	(10,342)	—
Other tax deductions	(3,786)	188	(37)
Income tax expense (recovery)	**$ (68,843)**	**$ 30,257**	**$ 73,285**

During 2006, the federal and provincial governments enacted amendments to current tax legislation, which provided for a reduction in corporate tax rates. The cumulative effect of the change in income tax legislation on Cameco's future income tax liability was a reduction of $73,000,000.

In addition, confirmation was received with respect to deductibility of the Saskatchewan provincial resource surcharge for years prior to 2001. As a result, a $16,950,000 reduction of future taxes was recorded.

	2006	2005	2004
Earnings before income taxes and minority interest			
Canada	$ (17,703)	$ (94,978)	$202,518
Foreign	363,129	367,442	174,725
	$ 345,426	**$272,464**	**$377,243**
Current income taxes			
Canada	$ 91,730	$ 53,719	$ 34,486
Foreign	24,066	28,261	7,741
	$ 115,796	**$ 81,980**	**$ 42,227**
Future income taxes (recovery)			
Canada	$(167,189)	$ (56,923)	$ 38,153
Foreign	(17,450)	5,200	(7,095)
	$(184,639)	**$ (51,723)**	**$ 31,058**
Income tax expense (recovery)	**$ (68,843)**	**$ 30,257**	**$ 73,285**

17. Statements of Cash Flows Other Operating Items

	2006	2005	2004
Changes in non-cash working capital:			
Accounts receivable	$ 36,180	$(78,552)	$ 4,660
Inventories	(63,623)	(21,079)	(51,913)
Supplies and prepaid expenses	(38,393)	(22,282)	(16,629)
Accounts payable and accrued liabilities	58,258	44,381	39,083
Hedge position settlements	32,113	43,571	3,634
Bruce Power distributions	—	83,740	—
Other	10,840	(11,262)	(1,501)
Total	**$ 35,375**	**$ 38,517**	**$(22,666)**

18. 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. At December 31, 2006, Cameco's share of property, plant and equipment in these joint ventures amounted to $1,862,000,000 (2005 — $1,714,000,000) [note 5].

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 19].

19. 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 2006, sales of uranium and conversion services to BPLP amounted to $41,650,000 (2005 — $22,017,000), approximately 2.3% (2005 — 1.7%) of Cameco's total revenue. At December 31, 2006, amounts receivable under these agreements totalled $15,055,000 (2005 — $26,666,000).

(c) Supplementary Information

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. The following tables represent Cameco's proportionate share of BPLP.

Balance Sheets

(Millions)	2006	2005
Current assets	$ 129	$ 133
Property, plant and equipment	417	415
Long-term receivables and investments	131	144
	$ 677	**$ 692**
Current liabilities	$ 100	$ 98
Long-term liabilities	358	354
	458	452
Equity	219	240
	$ 677	**$ 692**

Statements of Earnings

(Millions)	2006	2005	2004
Revenue	$ 393	$ 565	$ 494
Operating costs	256	380	366
Earnings before interest and taxes	137	185	128
Interest	14	21	21
Loss on restructuring	—	47	—
Earnings before taxes	**$ 123**	**$ 117**	**$ 107**

Statements of Cash Flows

(Millions)	2006	2005	2004
Cash provided by operations	$ 163	$ 244	$ 140
Cash provided by (used in) investing	(38)	103	(114)
Cash used in financing	(143)	(328)	(33)

20. 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. Options have not been awarded to directors since 2003.

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 10].

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 43,017,198, of which 22,329,713 shares have been issued.

Stock option transactions for the respective years were as follows:

(Number of Options)	2006	2005	2004
Beginning of year	8,723,170	9,737,340	12,240,000
Options granted	1,537,330	2,631,180	4,170,000
Options exercised [note 10]	(2,716,679)	(3,473,760)	(5,463,600)
Options cancelled	(153,768)	(171,590)	(1,209,060)
End of year	**7,390,053**	**8,723,170**	**9,737,340**
Exercisable	**3,088,841**	**2,859,318**	**3,253,800**

Upon exercise of certain existing options, additional options in respect of 55,000 shares would be granted.

Weighted average exercise prices were as follows:

	2006	2005	2004
Beginning of year	$ 13.29	$ 7.64	$ 6.71
Options granted	41.04	27.11	11.42
Options exercised	9.84	7.16	7.20
Options cancelled	32.92	28.79	13.17
End of year	**$ 19.92**	**$ 13.29**	**$ 7.64**
Exercisable	**$ 10.46**	**$ 6.93**	**$ 6.27**

Total options outstanding and exercisable at December 31, 2006 were as follows:

2006	Options Outstanding			Options Exercisable	
Option Price Per Share	Number	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number	Weighted Average Exercisable Price
$ 3.13 - 4.81	228,200	2	$ 4.23	228,200	$ 4.23
4.82 - 10.51	3,622,280	5	8.43	2,388,296	7.78
10.52 - 41.00	3,539,573	8	32.69	472,345	27.04
	7,390,053			**3,088,841**	

The foregoing options have expiry dates ranging from March 3, 2007 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, 2006, Cameco has recorded compensation expense of $17,549,000 (2005 — $16,913,000; 2004 — $9,485,000) with an offsetting credit to contributed surplus to reflect the estimated fair value of stock options granted to employees.

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

	2006	2005	2004
Number of options granted	1,537,330	2,631,180	4,170,000
Average strike price	$ 41.04	$ 27.11	$ 11.42
Expected dividend	$ 0.16	$ 0.12	$ 0.10
Expected volatility	35%	34%	37%
Risk-free interest rate	4.0%	3.5%	3.3%
Expected life of option	4 years	4 years	4 years
Expected forfeitures	15%	15%	15%
Weighted average grant date fair values	$ 13.19	$ 8.36	$ 3.39

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

Commencing in 2005, Cameco provides each planned participant an annual grant of PSUs in an amount determined by the board. Each PSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash at the board's discretion, at the end of each three-year period if certain performance and vesting criteria have been met. The final value of the PSUs will be based on the value of Cameco common shares at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on total shareholder return over the three years, Cameco's ability to meet its annual cash flow from operations targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. As of December 31, 2006, the total PSUs held by the participants was 292,150 (2005 - 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 2006, 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, 2006, the total DSUs held by participating directors was 299,928 (2005 — 281,766).

Cameco makes annual grants of bonuses to eligible non-North American employees in the form of phantom stock options. Employees receive the equivalent value of shares in cash when exercised. Options granted under the phantom stock option plan have an award value equal to the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. As of December 31, 2006, the number of options held by participating employees was 383,181 (2005 — 443,760) with exercise prices ranging from $4.81 to $41.00 per share (2005 - $4.81 to $27.04) and a weighted average exercise price of $18.63 (2005 — $12.12).

Cameco has recognized the following amounts for these plans:

	2006	2005	2004
Performance share units	$ 4,884	$ 2,011	$ —
Deferred share units	3,206	4,089	1,896
Phantom stock options	5,212	8,537	4,376

21. 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, 2006. The next planned effective date for valuation for funding purposes of the pension benefit plans is set to be January 1, 2009. The status of the defined plans is as follows:

(a) Accrued Benefit Obligation

	Pension Benefit Plans		Other Benefit Plans	
	2006	2005	2006	2005
Balance at beginning of year	$ 15,926	$ 16,478	$ 7,403	$ 4,460
Current service cost	1,028	803	487	226
Interest cost	872	849	544	271
Actuarial loss	6,056	—	395	2,364
Plan amendments	—	—	588	258
Acquisition of Zircatec interest [note 23]	—	—	3,116	—
Benefits paid	(611)	(2,199)	(367)	(176)
Foreign exchange rate changes	1	(5)	—	—
	$ 23,272	**$ 15,926**	**$ 12,166**	**$ 7,403**

(b) Plan Assets

	Pension Benefit Plans	
	2006	2005
Fair value at beginning of year	$ 23,403	$ 23,201
Actual return on plan assets	1,569	1,337
Employer contributions	51	1,064
Benefits paid	(611)	(2,199)
Fair value at end of year	**$ 24,412**	**$ 23,403**

Plan assets consist of:

	Pension Benefit Plans	
	2006	2005
Asset Category (i)		
Equity securities	34%	32%
Bonds	23%	20%
Other (ii)	43%	48%
Total	100%	100%

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2006 and 2005 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	
	2006	2005	2006	2005
Fair value of plan assets	$ 24,412	$ 23,403	$ —	$ —
Accrued benefit obligation	23,272	15,926	12,166	7,403
Funded status of plans — surplus (deficit)	1,140	7,477	(12,166)	(7,403)
Unamortized net actuarial loss	6,509	1,249	—	—
Unamortized transitional obligation	240	963	—	—
Accrued benefit asset (liability) [notes 6, 9]	$ 7,889	$ 9,689	$(12,166)	$(7,403)

(d) Net Pension Expense

	2006	2005	2004
Current service cost	$ 1,028	$ 803	$ 806
Interest cost	872	849	1,031
Actual return on plan assets	(1,569)	(1,337)	(885)
Actuarial loss	6,056	—	—
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	6,387	315	952
Difference between actual and expected return on plan assets	796	491	60
Difference between actuarial loss recognized for year and actual actuarial loss on accrued benefit obligation for year	(6,056)	—	87
Amortization of transitional obligation	723	706	694
Defined benefit pension expense	1,850	1,512	1,793
Defined contribution pension expense	8,973	6,569	5,418
Net pension expense	**$10,823**	**$ 8,081**	**$ 7,211**

	2006	2005	2004
Significant assumptions at December 31			
Discount rate	5.3%	5.3%	6.5%
Rate of compensation increase	4.5%	4.5%	4.5%
Long-term rate of return on assets	6.3%	7.0%	7.0%

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

	2006	2005	2004
Current service cost	$ 487	$ 226	$ 186
Interest cost	544	271	271
Actuarial (gain) loss	395	2,364	(26)
Plan amendment costs	588	258	772
Other post-retirement benefit expense	**$ 2,014**	**$ 3,119**	**$ 1,203**

	2006	2005	2004
Significant assumptions at December 31			
Discount rate	5.1%	5.3%	6.5%
Initial health care cost trend rate	10%	11%	11%
Cost trend rate declines to	6%	6%	6%
Year the rate reaches its final level	2011	2011	2008

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

	2006	2005	2004
Employer contributions to funded pension plans	$ 51	$ 1,599	$ 567
Benefits paid for unfunded benefit plans	367	176	132
Cash contributions to defined contribution plans	8,973	6,569	5,418
Total cash payments for employee future benefits	**$ 9,391**	**$ 8,344**	**$ 6,117**

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 Cameco's proportionate share (31.6%) of the defined plans is as follows:

(a) Funded Status Reconciliation

	Pension Benefit Plans		Other Benefit Plans	
	2006	2005	2006	2005
Fair value of plan assets	$ 605,789	$ 526,188	$ —	$ —
Accrued benefit obligation	800,050	658,690	141,746	67,103
Funded status of plans — deficit	(194,261)	(132,502)	(141,746)	(67,103)
Unrecognized prior service cost	—	—	5,856	—
Unamortized net actuarial (gain) loss	206,253	150,621	49,034	(11,046)
Accrued benefit asset (liability) [notes 6, 9]	$ 11,992	$ 18,119	$ (86,856)	$(78,149)

(b) Pension Asset Categories

	Asset Allocation		Target Allocation	
	2006	2005	2006	2005
Asset Category (i)				
Equity securities	71%	70%	70%	70%
Fixed income	28%	29%	30%	30%
Cash	1%	1%	0%	0%
Total	100%	100%	100%	100%

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

(i) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2006.

(c) Other Benefit Plans Expense

	2006	2005
Current service cost	$ 24,229	$ 3,099
Interest cost	35,406	5,301
Actual return on plan assets	(64,194)	(12,425)
Actuarial loss	89,119	18,412
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	84,560	14,387
Difference between actual and expected return on plan assets	25,679	7,157
Difference between actuarial loss recognized and actual actuarial loss on accrued benefit obligation for year	(81,322)	(17,840)
Net pension expense	**$ 28,917**	**$ 3,704**

	2006	2005
Significant assumptions at December 31		
Discount rate	5.0%	5.3%
Rate of compensation increase	3.5%	3.5%
Long-term rate of return on assets	7.0%	7.3%

(d) Other Benefit Plans Expense

	2006	2005
Current service cost	$ 6,304	$ 555
Interest cost	4,394	550
Past service cost	5,856	—
Actuarial loss	59,563	1,935
Balance prior to adjustments to recognize the long-term nature of employee future benefit costs	76,117	3,040
Difference between actual and recognized past service costs for year	(5,856)	—
Difference between actuarial gain recognized and actual actuarial loss on accrued benefit obligation for year	(59,931)	(2,227)
Other benefit plans expense	**$ 10,330**	**$ 813**

	2006	2005
Significant assumptions at December 31		
Discount rate	5.0%	5.1%
Rate of compensation increase	3.5%	3.5%
Initial health care cost trend rate	10.0%	10.0%
Cost trend rate declines to	5.0%	4.5%
Year the rate reaches its final level	2018	2011

A one percentage point increase or decrease in assumed health care cost trend rate would have the following effect:

	Increase	Decrease
Effect on December 31, 2006 obligation	$23,892	$(19,986)
Aggregate of 2006 current service cost and interest cost	1,655	(1,335)

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

	2006	2005
Employer contributions to funded pension plans	$21,665	$ —
Benefits paid for unfunded benefit plans	1,705	189
Total cash payments for employee future benefits	**$23,370**	**$ 189**

Benefits paid by the funded pension plan were $12,500,000 for 2006 (2005 — $800,000). BPLP's expected contributions for the year ended December 31, 2007 are approximately $33,180,000 for the pension benefit plans.

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

	Pension Benefit Plans	Other Benefit Plans
2007	$ 9,900	$ 3,100
2008	13,200	3,500
2009	16,700	4,000
2010	20,600	4,600
2011	24,500	5,100
2012 to 2016	184,500	34,300

22. Goodwill

The acquisitions undertaken as part of the gold restructuring in 2004 were accounted for using the purchase method whereby assets and liabilities assumed were recorded at their fair market value as of the date of acquisition. The excess of the purchase price over such fair value was recorded as goodwill.

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 2006, Cameco completed the goodwill impairment test for all reporting units. The results of this test indicated there was no impairment.

23. Acquisition of Interest in Zircatec Precision Industries, Inc.

Effective February 1, 2006, Cameco acquired a 100% interest in Zircatec Precision Industries, Inc. for $108,884,000. Zircatec's primary business is manufacturing nuclear fuel bundles for sale to companies that generate electricity from Candu reactors. The acquisition was accounted for using the purchase method and the results of operations are included in the consolidated financial statements from February 1, 2006.

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

Cash and other working capital	$ 20,738
Tangible assets	30,928
Intangible assets	118,819
Future income taxes	(40,836)
Net liabilities	(20,765)
Net assets acquired	$108,884

Financed by:	
Cash	$ 88,884
Holdback [note 9]	20,000
	$108,884

The amount allocated to intangible assets relates to the intellectual property of the business. It is amortized over the estimated production profile of the business and during 2006, $4,800,000 of the intangible asset was amortized.

24. 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) The legal action commenced by Mountain West Mines Inc. was dismissed and there was no financial impact on Cameco's wholly owned subsidiary, Power Resources Inc.

(c) On February 12, 2004, Cameco, Cameco Bruce Holdings II Inc., BPC Generation Infrastructure Trust and TransCanada Pipelines Limited (collectively, the "Consortium") sent a letter to British Energy Limited and British Energy International Holdings Limited (collectively, "BE") requesting, amongst other things, indemnification for breach of a representation and warranty contained in the February 14, 2003 Amended and Restated Master Purchase Agreement. The alleged breach is that the Unit 8 steam generators were not "in good condition, repair and proper working order, having regard to their use and age." This defect was discovered during a planned outage conducted just after closing. As a result of this defect, the planned outage had to be significantly extended. The Consortium has claimed damages in the amount of $64,558,200 being 79.8% of the $80,900,000 of damages actually incurred, plus an unspecified amount to take into account the reduced operating life of the steam generators. A decision to proceed with arbitration has been made but formal commencement of proceedings has not taken place because counsel for the Consortium and BE have yet to agree on the composition of the arbitration panel.

In anticipation of this claim, BE issued on February 10, 2006 and then served on Ontario Power Generation Inc. and Bruce Power LP a Statement of Claim. This Statement of Claim seeks damages for any amounts that BE is found liable to pay to the Consortium in connection with the Unit 8 steam generator arbitration described above, damages in the amount of $500,000,000, costs and pre and post judgment interest amongst other things. This action is in abeyance pending further developments on the Unit 8 steam generator arbitration.

Management is of the opinion, after review of the facts with counsel, that this action against Bruce Power LP will not have a material financial impact on Cameco's financial position, results of operations and liquidity.

(d) A claim has been filed in the Mongolian national arbitration court against Centerra Gold Mongolia LLC alleging non-performance of an agreement in relation to the Gatsuurt property. The claimant seeks the transfer to it of the principal license for the Gatsuurt property. The potential impact of this claim is not determinable at this time. Management believes that the terms of this agreement have been fully met and the claim is without merit.

(e) 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.

(f) 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, 2006, Cameco's actual exposure under these assurances was $23,700,000.

ii) Guarantees to customers under power sales agreements of up to $74,000,000. At December 31, 2006, Cameco's actual exposure under these guarantees was $2,400,000.

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

(g) Commitments

At December 31, 2006, Cameco's purchase commitments, the majority of which are fixed price uranium and conversion purchase arrangements, were as follows:

	(Millions (US))
2007	$ 173
2008	138
2009	126
2010	119
2011	122
Thereafter	326
Total	**$ 1,004**

25. 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 gains (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 2007 to 2010. At December 31, 2006, the mark-to-market gain on these sales contracts was $54,700,000.

Currency

At December 31, 2006, Cameco had $1,364,000,000 (US) in forward contracts at an average exchange rate of $1.17 and € 58,350,000 at an average exchange rate of $1.24. The foreign currency contracts are scheduled for use as follows:

(Millions)	US	Rate	Cdn	Euro	Rate	US
2007	$ 584	1.19	$ 695	€ 32	1.24	$ 40
2008	375	1.18	443	13	1.24	16
2009	270	1.15	311	10	1.23	12
2010	135	1.14	154	3	1.27	4
Total	**$ 1,364**	**1.17**	**$ 1,603**	**€ 58**	**1.24**	**$ 72**

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 gains and deferred charges. The realized exchange rate will depend on the forward premium (discount) that is earned (paid) as contracts are utilized.

At December 31, 2006, Cameco's net mark-to-market loss on these foreign currency instruments was $36,800,000 (Cdn).

26. 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 2006 was 351,223,724 (2005 — 347,863,822; 2004 — 342,889,722).

	2006	(as adjusted - note 3(b)) 2005	(as adjusted - note 3(b)) 2004
Basic earnings per share computation			
Net earnings	$375,715	$ 215,469	$ 276,506
Weighted average common shares outstanding	351,224	347,864	342,890
Basic earnings per common share	**$ 1.07**	**$ 0.62**	**$ 0.81**
Diluted earnings per share computation			
Net earnings	$375,715	$ 215,469	$ 276,506
Dilutive effect of:			
Convertible debentures	8,992	8,394	8,055
Net earnings, assuming dilution	$384,707	$ 223,863	$ 284,561
Weighted average common shares outstanding	351,224	347,864	342,890
Dilutive effect of:			
Convertible debentures	21,209	21,214	21,230
Stock options	4,402	4,614	4,338
Weighted average common shares outstanding, assuming dilution	376,835	373,692	368,458
Diluted earnings per common share	**$ 1.02**	**$ 0.60**	**$ 0.77**

27. Segmented Information

Cameco has four reportable segments: uranium, fuel services, electricity and gold. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The fuel services segment involves the refining, conversion and fabrication of uranium concentrate and the purchase and sale of conversion services. The electricity segment involves the generation and sale of electricity. 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

2006

(Millions)	Uranium	Fuel Services	Electricity	Gold	Inter-Segment	Total
Revenue	$ 803.3	$ 224.1	$ 407.6	$ 414.1	$ (17.4)	$1,831.7
Expenses						
Products and services sold	472.1	180.2	221.0	268.4	(13.9)	1,127.8
Depreciation, depletion and reclamation	94.2	19.1	43.5	44.4	(1.5)	199.7
Exploration	31.7	—	—	26.5	—	58.2
Cigar Lake remediation	20.6	—	—	—	—	20.6
Research and development	—	2.7	—	—	—	2.7
Other	4.2	—	—	(15.4)	—	(11.2)
Loss (gain) on sale of assets	(0.4)	0.5	—	(1.3)	—	(1.2)
Non-segmented expenses						89.6
Earnings before income taxes and minority interest	**180.9**	**21.6**	**143.1**	**91.5**	**(2.0)**	**345.5**
Income tax recovery						(68.8)
Minority interest						38.6
Net earnings						**$ 375.7**
Assets	**$3,100.6**	**$ 366.5**	**$ 758.6**	**$ 914.7**	**$ —**	**$5,140.4**
Capital expenditures for the year	**$ 287.8**	**$ 17.9**	**$ 33.2**	**$ 120.7**	**$ —**	**$ 459.6**

2005 (as adjusted — note 3(b))

(Millions)	Uranium	Fuel Services	(i) Electricity	Gold	(i) Adjustments	Total
Revenue	$ 690.1	$ 157.7	$ 577.8	$ 412.1	$ (525.0)	$1,312.7
Expenses						
Products and services sold	428.5	120.2	315.4	231.0	(281.1)	814.0
Depreciation, depletion and reclamation	102.1	9.8	76.6	73.9	(64.8)	197.6
Exploration	25.7	—	—	31.8	—	57.5
Research and development	—	2.4	—	—	—	2.4
Other	(79.5)	—	109.1	—	(13.3)	16.3
Gain on sale of assets	(0.2)	(0.1)	—	(1.2)	—	(1.5)
Earnings from Bruce Power					(165.8)	(165.8)
Non-segmented expenses						119.7
Earnings before income taxes and minority interest	**213.5**	**25.4**	**76.7**	**76.6**	**—**	**272.5**
Income tax expense						30.3
Minority interest						26.7
Net earnings						**$ 215.5**
Assets	**$2,927.0**	**$ 239.3**	**$ 786.6**	**$ 819.9**	**$ —**	**$4,772.8**
Capital expenditures for the year	**$ 203.8**	**$ 18.4**	**$ 335.2**	**$ 39.9**	**$ (312.4)**	**$ 284.9**

2004 (as adjusted — note 3(b))

(Millions)	Uranium	Fuel Services	(i) Electricity	Gold	(i) Adjustments	Total
Revenue	$ 581.5	$ 144.5	$ 513.4	$ 322.5	$ (513.4)	$1,048.5
Expenses						
Products and services sold	377.9	101.9	313.5	143.3	(313.5)	623.1
Depreciation, depletion and reclamation	99.5	9.6	67.8	71.1	(67.8)	180.2
Exploration	17.0	—	—	19.0	—	36.0
Research and development	—	1.9	—	—	—	1.9
Other	(1.8)	—	11.4	(123.5)	(11.4)	(125.3)
Gain on sale of assets	(1.7)	—	—	(0.3)	—	(2.0)
Earnings from Bruce Power					(120.7)	(120.7)
Non-segmented expenses						78.0
Earnings before income taxes and minority interest	**90.6**	**31.1**	**120.7**	**212.9**	**—**	**377.3**
Income tax recovery						73.3
Minority interest						27.5
Net earnings						**$ 276.5**
Assets	**$2,455.0**	**$ 206.4**	**$1,079.6**	**$ 742.1**	**$ (431.0)**	**$4,052.1**
Capital expenditures for the year	**$ 122.5**	**$ 14.0**	**$ 114.3**	**$ 11.8**	**$ (114.3)**	**$ 148.3**

(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 19] and the associated revenues and expenses prior to the restructuring are eliminated in the adjustments column.

(b) Geographic Segments

(Millions)	2006	2005	2004
Revenue from products and services			
Canada — domestic	$ 525.2	$ 109.0	$ 77.4
— export	271.0	214.9	244.0
United States	621.3	576.7	404.6
Kyrgyzstan	223.1	260.5	207.8
Mongolia	191.1	151.6	114.7
	$1,831.7	**$1,312.7**	**$1,048.5**
Assets			
Canada	$3,560.7	$3,631.5	$2,944.4
United States	323.4	234.7	188.4
Kyrgyzstan	576.9	473.7	494.5
Mongolia	305.5	189.5	194.9
Europe	286.2	199.6	201.3
Kazakhstan	87.7	43.8	28.6
	$5,140.4	**$4,772.8**	**$4,052.1**

(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 2006, revenues from one customer of Cameco's uranium and fuel services segments represented approximately $64,270,000 (2005 — $134,600,000; 2004 — $86,500,000), approximately 6% (2005 — 16%; 2004 — 12%) of Cameco's total revenues from these segments. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules.

During 2006, electricity revenues from BPLP's two largest customers represented approximately 15% and 12% BPLP's total revenues. In 2005, electricity revenues from one customer of BPLP represented approximately 11% of BPLP's total revenues.

28. 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:

	2006	(as adjusted - note 3(b)) 2005	(as adjusted - note 3(b)) 2004
Net earnings under Canadian GAAP	**$375,715**	**$ 215,469**	**$ 276,506**
Add (deduct) adjustments for (d):			
Depreciation and depletion (i)	—	—	1,618
Mineral property costs (ii)	—	(1,760)	11,028
Pre-operating costs (iii)	1,512	1,512	3,658
Stripping costs (iv)	(6,020)	—	—
Hedges and derivative instruments (v) (vi)	5,668	(1,765)	(12,104)
Earnings from BPLP (iii) (v)	(1,003)	25,407	2,015
Tax uncertainties and business combinations (x)	(3,727)	—	—
Stock-based compensation (xi)	(3,998)	2,162	2,279
Income tax effect of adjustments	(14,258)	(7,785)	(1,808)
Minority interest effect of adjustments	4,326	—	—
Net earnings under US GAAP	**358,215**	**233,240**	**283,192**
Hedges and derivative instruments (v)	40,076	(36,748)	32,691
Foreign currency translation adjustments (vii)	13,631	(12,875)	(27,266)
Unrealized gain (loss) on available-for-sale securities (viii)	(107)	(60,606)	36,849
Additional pension obligation (ix)	(31,568)	—	—
Comprehensive income under US GAAP	**$380,247**	**$ 123,011**	**$ 325,466**
Basic net earnings per share under US GAAP	**$ 1.02**	**$ 0.67**	**$ 0.83**
Diluted earnings per share under US GAAP	**$ 0.97**	**$ 0.65**	**$ 0.79**

(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

	2006		2005 (as adjusted - note 3(b))	
	Canadian GAAP	**US GAAP**	**Canadian GAAP**	**US GAAP**
Current assets	$1,354,424	$1,235,813	$1,524,459	$1,399,575
Property, plant and equipment	3,312,152	2,703,892	2,871,337	2,261,614
Long-term receivables, investments and other	293,714	348,528	196,747	503,833
Goodwill	180,139	176,412	180,232	180,232
Total assets	**$5,140,429**	**$4,464,645**	**$4,772,775**	**$4,345,254**
Current liabilities	$ 501,968	$ 393,803	$ 635,219	$ 544,176
Long-term debt	696,691	529,790	702,109	523,149
Provision for reclamation	228,496	228,496	167,568	167,568
Other liabilities	232,370	160,761	98,609	50,839
Deferred income taxes	339,451	257,508	444,942	419,664
	1,998,976	1,570,358	2,048,447	1,705,396
Minority interest	400,071	395,745	360,697	360,697
Shareholders' equity				
Share capital	812,769	812,769	779,035	779,035
Contributed surplus	540,173	507,753	529,245	492,827
Retained earnings	1,428,206	1,344,331	1,108,748	1,042,373
Accumulated other comprehensive income				
- net actuarial loss [d(ix), g(v)]	—	(180,630)	—	—
- transitional obligation [g(v)]	—	(165)	—	—
- prior service cost [g(v)]	—	(4,041)	—	—
- cumulative translation account [d(vii)]	(39,766)	(18,545)	(53,397)	(32,175)
- available-for-sale securities [d(viii)]	—	—	—	107
- hedges and derivative instruments [d(v)]	—	37,070	—	(3,006)
Total accumulated other comprehensive income	(39,766)	(166,311)	(53,397)	(35,074)
Total shareholders' equity	2,741,382	2,498,542	2,363,631	2,279,161
Total liabilities and shareholders' equity	**$5,140,429**	**$4,464,645**	**$4,772,775**	**$4,345,254**

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

Accounts payable	$283,911	$198,860	$217,359	$126,320
Taxes and royalties payable	65,834	65,834	88,539	88,539
Accrued liabilities	53,061	53,061	44,500	44,500
Total accounts payable and accrued liabilities	**$402,806**	**$317,755**	**$350,398**	**$259,359**

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

	2006	2005	2004
Cash provided by operations	$ 398,100	$283,176	$ 239,070
Cash provided by (used in) investing	$(495,378)	$ 36,742	$(171,715)
Cash provided by (used in) financing	$(175,602)	$101,202	$ 54,014

(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. Prior to 2004, there were differences in accounting for mineral property development costs. As a result, since the carrying value of the mineral property is now different under US GAAP, interest capitalization was impacted. An adjustment was made to reduce capitalized interest by $1,760,000 in 2005 (2004 - $1,614,000). There was no impact on capitalized interest in 2006.

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.

Prior to 2005, 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 was a difference in the capital costs recognized under Canadian and US GAAP. Accordingly, an adjustment was made to reduce the amount of depreciation charged to earnings by $2,329,000 in 2005 (2004 — $2,445,000).

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) Stripping Costs

Under Canadian GAAP, stripping costs incurred during the production phase by mining companies to remove overburden and other mine waste materials in order to access mineral deposits, can be either expensed or capitalized given the specifics of the situation. Under US GAAP, stripping costs are deemed to be variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. Stripping costs of $6,020,000 were incurred in 2006 and capitalized at one of the Centerra production mines. As a result, an adjustment was made to increase products and services sold by the amount capitalized.

(v) 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 $2,173,000 was recognized in 2006 (2005 — $1,765,000; 2004 — $12,104,000).

For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2006, a loss of $615,000 (after tax) relates to the hedging of foreign exchange risk. Of these amounts, a gain of $5,203,000 (after tax) would be recorded in earnings during 2007 if market conditions remained unchanged. The impact on other comprehensive income for 2006 is a loss of $22,497,000 (2005 — loss of $14,583,000; 2004 — gain of $38,814,000).

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, 2006, a gain of $37,685,000 (after tax) relates to the hedging of electricity price risk. Of this amount, a gain of $13,976,000 (after tax) would be recorded in earnings for 2007 if market conditions remained unchanged. The impact on other comprehensive income for hedge accounting for 2006 is a gain of $62,573,000 (2005 — loss of $22,165,000; 2004 — loss of $6,123,000).

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, a loss of $1,003,000 was recognized in 2006 (2005 — gain of $259,000; 2004 — gain of $618,000). At the end of 2006, all differences have been recognized.

(vi) Embedded Derivative Instruments

Under US GAAP, all derivative instruments are recognized on the balance sheet as either assets or liabilities measured at fair value. Under Canadian GAAP, derivatives embedded within hybrid instruments are generally not separately accounted for. In 2006, certain of Cameco's sales contracts contained embedded foreign currency derivatives. As a result they were separately accounted for and $7,841,000 was recognized in earnings (2005 — nil, 2004 — nil).

(vii) 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.

(viii) 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. At December 31, 2006, Cameco no longer held any available-for-sale securities. 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. were classified as available for sale. The investments in Maudore Minerals Ltd. and Golden Band Resources Inc. were sold in 2006. 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 was $887,000 (2004 - $79,785,000). The cumulative unrealized gain at December 31, 2005 was $107,000 (2004 - $60,713,000).

(ix) Additional Pension Obligation

Under US GAAP, for defined benefit pension plans, an unfunded accumulated benefit obligation should be recorded as an additional minimum pension liability. Under Canadian GAAP there is no requirement to recognize an additional minimum pension liability. In 2006 for the BPLP benefit plans, the impact on other comprehensive income is a loss of $31,568,000 (2005 — nil, 2004 — nil). The amount in accumulated other comprehensive income at December 31, 2006 is a net actuarial loss of $31,568,000 (2005 — nil). As a result of the implementation of Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans (FAS 158) [note (g)v], there will be no requirement prospectively to determine an additional minimum liability.

(x) Tax Uncertainties and Business Combinations

Uncertainties related to income taxes may exist at the time of a business combination, which affect the recognition of future income tax assets. These uncertainties may result because the realizability of the future income tax asset is uncertain, or because the existence of the asset is uncertain.

Under US GAAP, when a future income tax asset acquired in a business combination that was not recognized as an identifiable asset by the acquirer at the date of the acquisition (for realizability or existence issues) is subsequently recognized by the acquirer, the benefit should be applied as follows: 1) first to reduce to zero any goodwill related to the acquisition; 2) second to reduce to zero other non-current intangible assets related to the acquisition; 3) third to reduce income tax expense.

Under Canadian GAAP, this approach only applies to tax uncertainties related to realizability. If the tax uncertainty is related to existence, then subsequent adjustments related to the tax uncertainties would be treated as a change in management's estimates and directly recorded to earnings. In 2006, a tax uncertainty due to existence was removed related to assets acquired by Centerra from Kyrgyzaltyn in 2004 when Centerra acquired an additional 66.7% interest in Kumtor Gold Company. As a result, a gain of $6,098,000 was recorded to income tax for Canadian GAAP purposes. An adjustment of $3,727,000 was made to reallocate part of the gain to goodwill for US GAAP purposes.

(xi) Stock-Based Compensation

Under Canadian GAAP, in accordance with EIC 162 [note 3(b)], Cameco recognizes stock-based compensation expense over the shorter of the period to eligible retirement or the vesting period for stock-based awards granted on or after January 1, 2003. Under US GAAP, this accounting treatment is applied to stock-based awards granted on or after January 1, 2006. Stock-based awards granted prior to January 1, 2006 are recognized over the full vesting period of the award. As a result, an adjustment was made to increase stock compensation expense by $3,998,000 in 2006 (2005 — decrease of $2,162,000, 2004 — decrease of $2,279,000).

(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) Convertible Debentures

Under US GAAP, convertible debentures are to be classified entirely as debt rather than equity. Due to the difference, accretion related to the equity component of convertible debentures for Canadian GAAP should be reversed for US GAAP purposes. Since all interest related to the debentures is being capitalized under both US and Canadian GAAP, the adjustment only affects the balance sheet. The cumulative effect is to decrease shareholders' equity by $30,473,000, increase long-term debt by $22,699,000 and decrease property, plant and equipment by $7,774,000.

(g) New Accounting Pronouncements

(i) Accounting for Certain Hybrid Financial Instruments

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 155, Accounting for Certain Hybrid Instruments — an amendment of FASB Statement No. 133 and 140 ("FAS 155"). FAS 155 allows an entity to elect to measure certain hybrid financial instruments at fair value in their entirety that contains an embedded derivative that otherwise would require bifurcation. FAS 155 will be effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Cameco does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

(ii) Guidance on Accounting for Income Taxes

In July 2006, the FASB issued Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 provides additional guidance on how to recognize, measure, and disclose income tax benefits. FIN 48 will be effective for fiscal years beginning after December 15, 2006. Cameco does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

(iii) Guidance for Quantifying Financial Statement Misstatements

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SEC staff issued SAB 108 to address what they identified as diversity in practice whereby entities were using either an income statement approach or a balance sheet approach, but not both, when evaluating whether an error is material to an entity's financial statements. SAB requires that in quantifying and analyzing misstatements, both the income statement approach and balance sheet approach should be used to evaluate the materiality of financial statement misstatements. The adoption of this bulletin does not have a material impact on the Cameco consolidated financial statements.

(iv) Framework on Fair Value Measurement

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. FAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007. Cameco does not expect the adoption of this statement will have a material impact on its consolidated financial statements.

(v) Accounting for Defined Benefit Pension and Other Post-Retirement Plans

On September 29, 2006, the FASB issued Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans ("FAS 158"), an amendment of FASB Statements No. 87, 88, 106 and 132(R). FAS 158 requires an entity to recognize the over funded or under funded status of a benefit plan as an asset or liability in the balance sheet, and to recognize the existing unrecognized net gains and losses, unrecognized prior service costs, and unrecognized net transition assets in other comprehensive income. FAS 158 is effective for Cameco prospectively as of December 31, 2006. The required adjustments are reported as an adjustment to the ending balance of accumulated other comprehensive income.

For the Cameco benefit plan, the cumulative effect of the change in policy on the balance sheet at December 31, 2006 is to decrease shareholders' equity by $4,646,000 (net actuarial loss of $4,481,000 and transitional obligation of $165,000), decrease long-term receivables, investments and other by $6,749,000 and decrease future income taxes by $2,103,000.

For the BPLP benefit plan, the cumulative effect of the change in policy on the balance sheet at December 31, 2006 is to decrease shareholders' equity by $148,622,000 (net actuarial loss of $144,581,000 and prior service cost of $4,041,000), decrease long-term receivables, investments and other by $215,393,000 and decrease future income taxes by $66,771,000.

For the Cameco benefit plans, the estimated amount of amortization expense to be recognized in earnings in 2007 is estimated to be $240,000 for the unamortized transitional obligation, and $487,000 for the unamortized actuarial loss. There is not expected to be any plan assets returned to the business in 2007.

For the BPLP benefit plans, the estimated amount of amortization expense to be recognized in earnings in 2007 is estimated to be $697,000 for the unrecognized prior service cost, and $14,559,000 for the unamortized net actuarial loss. There is not expected to be any plan assets returned to the business in 2007.

29. Comparative Figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.

EXHIBIT 99.3

Cameco Corporation

2006 Management's Discussion and Analysis

2006 MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
MARCH 16, 2007

This management's discussion and analysis (MD&A) is designed to provide investors with an informed discussion of Cameco's business activities and reflects information known to management as at March 16, 2007. This MD&A is intended to supplement and complement our audited consolidated financial statements and notes thereto for the year ended December 31, 2006, 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 28 to the 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. 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. In addition, we use non-GAAP financial measures as supplemental indicators of our operating performance and financial position. We use these non-GAAP financial measures internally for comparing actual results from one period to another, as well as for planning purposes. We have historically reported non-GAAP financial results, as we believe their use provides more insight into our performance. When non-GAAP measures are used in this MD&A, they are clearly identified as a non-GAAP measure and reconciled to the GAAP measure. All sensitivities in this MD&A noted for 2007 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 list 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.

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.

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 2006 and backed by more than 500 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, one each 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). The Port Hope plants have the licensed capacity to produce 18% 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. (SFL) in Lancashire, United Kingdom. Under the 10-year agreement, SFL 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 and Cobourg. This company manufactures fuel bundles for use in Candu reactors. With this acquisition, Cameco now participates in 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. We are the fuel procurement manager for uranium, conversion services and fuel fabrication for BPLP's four B nuclear reactors. For the Bruce A reactors, Cameco is the fuel procurement manager for conversion services and fuel fabrication. Through the Bruce Power restructuring in 2005, Cameco no longer holds a 31.6% ownership in the four A reactors. BPLP's four B reactors have a combined net generation capacity of about 3,200 megawatts (MW), supplying about 15% 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. Gold is not a core business for Cameco. Centerra was created as a vehicle for Cameco to eventually exit the gold business.

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:

- 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 conversion 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 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,
- supply fuel, 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,
- evaluate and encourage BPLP'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 participation in management and, where possible, operational involvement, and
- seek to maximize nuclear power's contribution to global energy supply by:
    - promoting 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
    - diversifying 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 434 reactors operating worldwide, and a total of 100 new reactors that are under construction or planned for completion within the next 10 years (as of March 2007). This more than offsets 10 anticipated closures for a net increase of 90 reactors during the period. Given that new reactors tend to have higher capacities than older units, this represents a 21% growth in nuclear generating capacity. Highlights include:

- 59 reactors are scheduled to be built in Asia, as energy demand is driven by rapid economic expansion. More than 65% of this growth will occur in China and India which have plans to build 24 and 15 reactors respectively,
- in Russia, Ukraine and several other eastern European countries, it is anticipated that 14 reactors will be built, offset by one closure in Armenia,
- in Finland, a new European Pressurized Water Reactor (EPR) is being constructed and when completed, will bring the country's total to five nuclear reactors,
- France has announced the construction of a new EPR beginning in 2007, and
- in Canada, Bruce Power A Limited Partnership (BALP) is refurbishing two A units which had previously been shutdown, and both Bruce Power and Ontario Power Generation Inc, (OPG) have initiated the regulatory process for new generating units.

Reactors — Pending

A number of non-nuclear countries including Kazakhstan, 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.

World Nuclear Reactors (Cameco estimate, March 2007) [1]

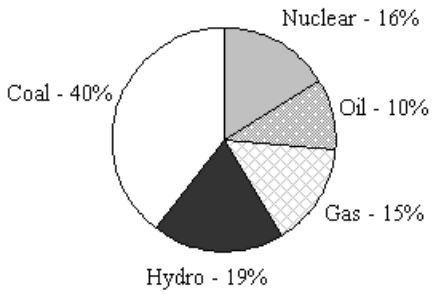
	Nuclear Electricity 2005 [2] (%)	Operating 2007	Outlook to 2016		Operating 2016	GWe Change
			New	Shutdown		
Argentina	7	2	2	0	4	1.6
Brazil	3	2	1	0	3	1.3
Canada	15	18	3	1	20	2.2
Mexico	5	2	0	0	2	0.0
USA	19	103	6	0	109	6.0
Americas Total		**127**	**12**	**1**	**138**	**11.1**
China	2	9	24	0	33	20.4
India	3	16	15	0	31	7.0
Iran	0	0	2	0	2	1.9
Japan	29	55	5	1	59	5.9
Korea (South)	45	20	8	0	28	9.2
Pakistan	3	2	2	0	4	0.6
Taiwan	20	6	2	0	8	2.6
Turkey	0	0	1	0	1	1.0
Asia Total		**108**	**59**	**1**	**166**	**48.5**
Belgium	56	7	0	0	7	0.0
Czech Republic	31	6	0	0	6	0.0
Finland	33	4	1	0	5	1.6
France	79	59	1	1	59	1.6
Germany	31	17	0	0	17	0.0
Hungary	37	4	0	0	4	0.0
Lithuania	70	1	1	1	1	0.4
Netherlands	4	1	0	0	1	0.0
Romania	9	1	3	0	4	1.3
Slovakia	56	5	2	1	6	0.4
Spain	20	8	0	0	8	0.0
Slovenia	42	1	0	0	1	0.0
Sweden	45	10	0	0	10	0.0
Switzerland	32	5	0	0	5	0.0
UK	20	19	0	4	15	-1.4
Europe Total		**148**	**8**	**7**	**149**	**3.9**
Russia	16	31	9	0	40	7.6
Armenia	43	1	0	1	0	0.0
Bulgaria	44	2	2	0	4	1.9
Ukraine	49	15	3	0	18	2.9
Russia and Eastern Europe Total		**49**	**14**	**1**	**62**	**12.4**
South Africa	6	2	7	0	9	**1.9**
World Total		**434**	**100**	**10**	**524**	**77.8**

1 Estimated by Cameco, March 2007. Based on public announcements made prior to March 2007.

2 World Nuclear Association (WNA).

NUCLEAR POWER SHARE

2006 World Electricity Generation
(Source: World Nuclear Association)



Nuclear power accounts for about 16% of the world's electricity generation. While the number of reactors and gigawatts produced are expected to increase over the next 10 years, the rate of growth in nuclear generation is expected to be less than the growth in total electricity generation. Therefore, nuclear's share of world electricity is expected to decline over the 10-year period to about 13%.

PLANT PERFORMANCE

SAFETY

There were no significant safety incidents at nuclear power plants during 2006 and nuclear power continues to be one of the safest forms of electricity production. Nevertheless, the industry is continuously seeking methods to improve its safety record.

OPERATING COSTS

Based on the first ten months of 2006, the direct costs of US nuclear electricity production was the lowest for baseload (non-hydro) electricity production for the eighth consecutive year. US production costs were 1.66 cents per kWh for nuclear, 2.28 cents for coal, 6.60 cents for natural gas and 9.64 cents for petroleum (Source: Nuclear Energy Institute NEI).

Nuclear Acceptance

POSITIVE TRENDS

North America

Public support for nuclear power in North America is trending higher. In the US, a 2006 survey prepared by Bisconti Research for the NEI, showed that 86% of the public and 88% of college graduate voters agree that nuclear energy will play an important role in meeting future electricity demand. Majorities also support

license renewal for existing nuclear power plants and “definitely building” new nuclear power plants. The survey also showed 73% of Americans would find it acceptable to add a new reactor at the nearest existing nuclear power plant site.

In Canada, a recent Ipsos Reid survey showed that support for nuclear power in Ontario had increased to 62% from 58%.

In the US, 15 entities are now in the process of preparing applications for either early site permits (ESP) or combined construction and operating license (COL) for a potential new nuclear power plant. Applications from Dominion, Southern, Entergy (NuStart) and Exelon for ESPs are under review by the US Nuclear Regulatory Commission. One ESP has been approved, the first site licensed in the US in over 30 years. As many as 33 units are now being considered for potential new build. Several potential sites and reactor types have been identified with the potential for a new reactor to be completed as early as 2014.

The US has recognized the strategic risk of over-reliance on natural gas and the contribution nuclear energy can make to clean air.

Europe
The UK Prime Minister recently acknowledged that new nuclear construction must be considered in the UK’s plans for energy security and Kyoto compliance.

The UK and the European Union have recognized the strategic risk of over-reliance on natural gas.

Germany, Belgium, and the Netherlands continue to back away from a previous anti-nuclear stance. In Germany, many politicians have questioned the planned phase out program for its reactors by 2021 given one-third of the country’s electricity is generated by nuclear power and there is no obvious solution for replacing these plants with equally clean sources. In Belgium, the Minister of Energy commissioned a study to review Belgium’s future energy challenges. The study recommended that Belgium reconsider its plan to phase out its nuclear reactors by 2025. Over half of the country’s electricity is generated by nuclear power and the report warns that due to changing circumstances, it would be very costly to proceed with the phase out program. It noted that climate change action was becoming more urgent and the era of very cheap fuel prices was likely behind them. In the Netherlands, a previous decision to phase out its nuclear program was reversed.

India
In December 2006, US President Bush signed the United States-India Peaceful Atomic Energy Cooperation Act, a major step towards civil nuclear trade with India. The bill on nuclear cooperation between India and the US was passed in the US Senate by a majority of 85 to 12 in November 2006, following passage in the House of Representatives. The two countries now must conclude a bilateral agreement — known in the US as the 123 civil nuclear agreement, which essentially codifies their negotiations of the last 18 months. Additional steps before trade can take place include approval from India’s Parliament, India’s negotiation of a safeguard agreement with the International Atomic Energy Agency (IAEA) and approval from the 45-nation Nuclear Suppliers Group. In addition, each country that wishes to trade with India must negotiate a bilateral agreement.

Negative Trends
While nuclear power has finally been recognized as a non-emitting technology in US energy legislation, it still does not qualify internationally for greenhouse gas emission credits.

Although progress is being made in several countries on the management of radioactive waste from the nuclear fuel cycle, it remains a controversial issue. Concerns about the long-term management of radioactive waste continue to be an impediment to the nuclear renaissance. Certain environmental groups continue to oppose the nuclear power industry.

The first few new nuclear plants will face significant business risks including “first-of-a-kind” costs, as well as possible delays in financing, licensing and construction.

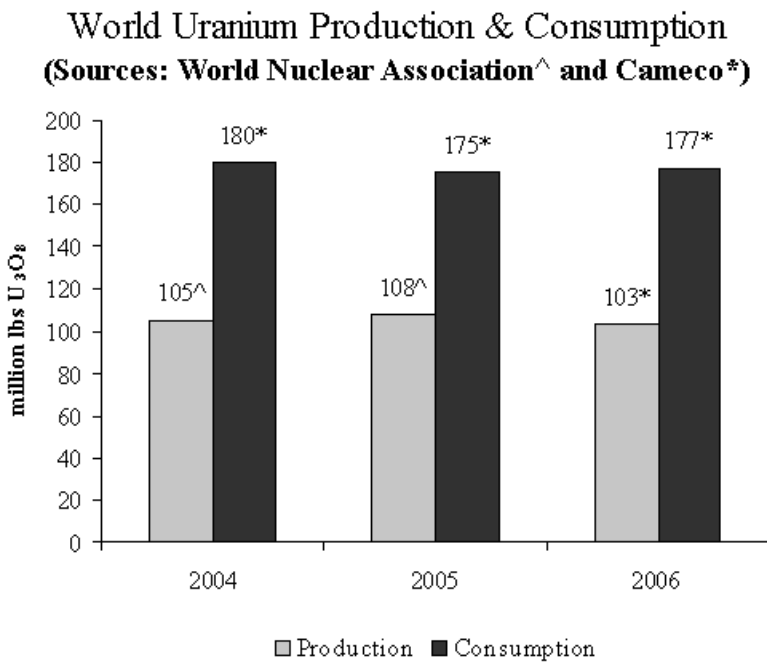
SUMMARY OF TRENDS

The nuclear industry is experiencing stable growth in the form of capacity factor improvements, refurbishments, life extensions and, in the developing world, aggressive new-build programs. While it is difficult to determine which factors will dominate the outlook for nuclear in the long-term, the demand for nuclear power is expected to accelerate in response to concerns about electricity supply, the need for non-emitting base load power, and security of supply.

URANIUM BUSINESS

Worldwide Uranium Supply and Demand

The uranium market supply and demand fundamentals remained strong in 2006, 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.



URANIUM DEMAND

Overall, as discussed above under nuclear power trends, indicators support a trend of moderately growing demand for uranium and conversion services in the next ten years, with the potential for more rapid growth thereafter.

Cameco estimates that the world uranium consumption totalled about 177 million pounds in 2006 and will increase to about 183 million pounds in 2007. We expect annual world uranium consumption will reach 239 million pounds in 2016 reflecting an annual growth rate of about 3%.

Growth in demand could be tempered as uranium price increases encourage utilities to utilize more enrichment services and less uranium. 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. If enrichment prices increase, 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. At different prices for uranium, conversion and enrichment services there is a combination that minimizes the fuel cost called the optimal tails assay. The lower the tails assay, the less uranium being used.

The uranium price has increased 580% since mid 2003. Over the same time period, enrichment prices have increased by only 25%. Thus, utilities are choosing lower tails assay under their enrichment contracts, using less uranium and more enrichment services.

Based on current demand, a 0.01% decrease in tails assay would decrease uranium requirements by 2% or about 3 million pounds of uranium per year and increase the demand for enrichment services by 2%. 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 the past, enrichers offered a wide range of tails assay, much like volume flexibilities on uranium contracts. Currently, enrichers are offering tails assay ranging from 0.25 to 0.3%, thus over time, as old enrichment contracts expire, the average tails assay will move to this range.

In 2006, two reactors were connected to the electricity grid, one in India and one in China. India's Tarapur-3 entered commercial operation in August of 2006, while China's Tianwan-1 is expected to begin commercial operation in spring 2007. There were eight reactor closures in 2006, four in the UK, two in Bulgaria, and one each in Slovakia and Spain. There were also nine power uprates. The net result was a 525 megawatt electric (MWe) increase in nuclear capacity.

URANIUM SUPPLY

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

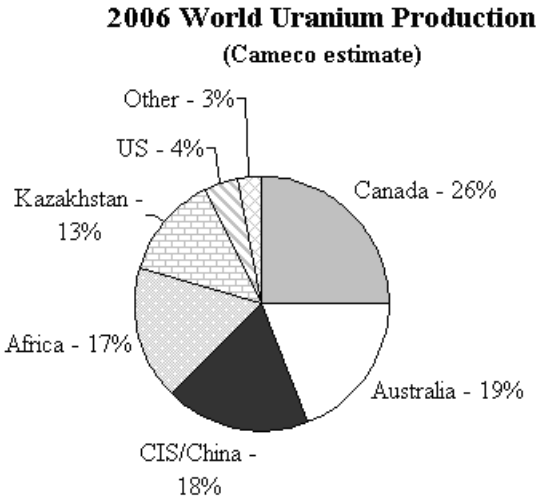
Mine Production

We estimate world mine production in 2006 was about 103 million pounds U_3O_8, down 5% from 108 million pounds in 2005, largely due to a variety of operating difficulties experienced at a few large production centres. We expect world production to increase to 117 million pounds in 2007.

It is expected that with higher uranium prices, new mines will continue to start up, 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,
- prices for other mineral commodities produced in association with uranium (i.e. byproduct or co-product producers), and
- the quality and size of the ore reserve.



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 7% 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 capable of being used in western world nuclear power plants. Uranium derived from Russian HEU could meet about 7% of world demand over the next 10 years based on the current Russian HEU commercial agreement, which expires in 2013. In parallel, the US has made some of its military inventories available to the market, in quantities much smaller than those derived from the Russian HEU agreement.

Another source of potential supply is excess inventory held by the US Department of Energy. We expect about 4% of world demand through 2016 will be met from this source of supply.

Historically, the other large source of secondary supply has been 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.

Since 1985, uranium consumption has exceeded mine production by increasingly wide margins, with a large part of the difference being made up by draw down of excess inventories. The company believes that most of these excess inventories have been consumed. In recent years, there has been evidence of this trend reversing, with some utilities purchasing uranium to build strategic inventories.

Over the next 10 years, even with new mines currently under development, such as Cigar Lake and Inkai, this shortfall between demand and production is not expected to change significantly. The production response is expected to remain challenged, while demand is expected to continue growing due to better reactor operations, reactor uprates, life extensions and the construction of new units. However, there are a number of potential new mines and planned mine expansions that are expected to help meet this shortfall, but the timing and production rates are uncertain at this time.

With 2006 uranium production less than 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 two to five 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, 2006 was $72.00 (US) per pound U_3O_8, almost double the $36.38 (US) on December 31, 2005. Spot market volume reported for 2006 was 33 million pounds. This compares to 36 million pounds for 2005.

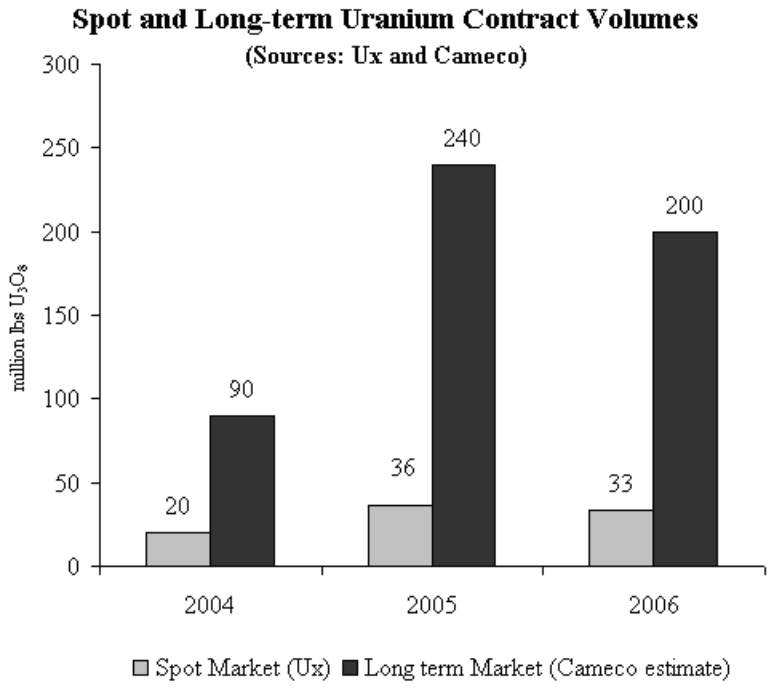
Discretionary purchases, or purchases not for immediate consumption, hit a record level in 2006 accounting for about 73% of spot market volume. There were continued increases in inventory building by utilities, trader positioning and investment and hedge fund participation. It is expected that spot market demand will remain strong in 2007 while supply remains tight, adding upward pressure to the price.

LONG-TERM URANIUM MARKET

The industry average long-term price (TradeTech and Ux) on December 31, 2006 was $72.00 (US) per pound U_3O_8, up almost 100% from $36.13 (US) at December 31, 2005.

We estimate long-term contracting in 2006 to have been in excess of 200 million pounds U_3O_8, slightly less than the 240 million pounds contracted in 2005, but well above historic levels.

We expect long-term contracting activity in 2007 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 approximately 200 million pounds will be contracted in the long-term market in 2007.



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 has not sold uranium in the spot market, about 60% of the company's uranium is sold under its long-term contracts 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 price indicators are quoted by the industry in US dollars per pound U_3O_8.

Uranium contract terms generally reflect market conditions at the time the contract is negotiated. Historically, after a contract negotiation was completed, deliveries under that contract typically did not begin for up to three years. For example, a contract that was signed in 2001, when the spot price averaged less than $9.00 (US), could have started deliveries in 2004 and could continue through to 2008. As a result, many of the contracts in our current portfolio 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 in 2006 was $20.62 (US) per pound of uranium compared to an average spot price of $49.60 (US) and average long-term price of $49.90 (US). In 2006, the benefit of improved spot prices was also partially offset by a less favourable foreign exchange rate. Our average realized selling price rose by 34% in US dollars but only 23% in Canadian dollars over 2005.

As in previous years, we are continually in the market signing new contracts. Generally, our current portfolio reflects a 60/40 mix of market-related and fixed pricing (escalated by inflation) mechanisms. In general, most new offers include price mechanisms that are more focused on market-related pricing. Consequently, we expect this ratio to change 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 2007

For 2007, a $1.00 (US) per pound change in the uranium spot price from $85.00 (US) per pound would change revenue by $6 million (Cdn) and net earnings by $3 million (Cdn). This sensitivity is based on an expected effective exchange rate of $1.00 (US) being equivalent to about $1.19 (Cdn) as a result of our currency hedge program.

VOLUME — SALES, PRODUCTION AND PURCHASES

Sales Volume

In 2006, Cameco delivered 36.1 million pounds of uranium, representing a 6% increase from 2005 deliveries of 34.2 million pounds. The higher delivery volumes were in response to strong market demand.

However, for revenue purposes in 2006, Cameco reported sales of 32.2 million pounds due to the accounting for product loans it has in place. During 2006, Cameco entered into standby product loan agreements with two of our customers. The loans allow Cameco to borrow up to 5.6 million pounds U_3O_8 equivalent over the period 2006 to 2008, with repayment in 2008 and 2009. Of the material available under

the loan, up to 1.4 million kgU can be borrowed in the form of uranium hexafluoride (UF_6). Any borrowings will be secured by letters of credit and be settled in kind.

As of December 31, 2006, Cameco had not borrowed any material under the standby loan agreements. However, regardless of whether any material is borrowed, we defer revenue recognition from sales to the counterparties of the standby product loan agreements, up to the limit of the loans (5.6 million pounds). This is in accordance with accounting standards. Cameco will recognize the deferred revenue and associated costs when the loan agreements are terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated. Accordingly, for the year 2006, we have deferred revenue of $80 million and the associated costs on sales of 4.0 million pounds. The gross profit on the deferred sales was $15 million.

In 2007, the reported sales volume and associated revenue may be affected by changes to product loan arrangements. In 2007, we expect uranium deliveries to total 33 million pounds. However, the reported sales volume for revenue purposes depends upon the product loan arrangements. We may terminate a portion or all of the product loan arrangements in 2007. To the extent we terminate the product loan arrangements, revenue that was deferred on up to 4 million pounds in 2006 would be recognized in 2007. If the product loan facilities remain in place unchanged, we would be required to defer revenue on an additional 1.6 million pounds in 2007, regardless if any amount is drawn on the loans.

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.

Production Volume

Uranium Operations

Cameco's share of production (million lbs U_3O_8)	**2007 Planned**	**2006 Actual**	**2005 Actual**
McArthur River/Key Lake	**13.1**	13.1	13.1
Rabbit Lake	**5.5**	5.1	6.0
Smith Ranch/Highland	**1.6**	2.0	1.3
Crow Butte	**0.8**	0.7	0.8
Total	**21.0**	20.9	21.2

McArthur River/Key Lake

Cameco's share of production of U_3O_8 at McArthur River/Key Lake in Saskatchewan was 13.1 million pounds for 2006. Ten days prior to year-end, the operations achieved the licensed annual production limit of 18.7 million pounds (100% basis). Cameco's share of production for 2007 is expected to be 13.1 million pounds for the full year.

In November 2006, unionized employees at the McArthur River and Key Lake operations ratified a new four-year agreement that Cameco and the United Steelworkers of America (USW) had negotiated. The new collective agreement will expire December 31, 2009.

At McArthur River, progress on freeze-hole drilling for two future mining zones improved by year end to near targeted rates. However drilling progress for 2006 was lower than targeted due to technical challenges

with drilling through frozen ground, additional time required to address operational challenges such as improvements to the drill setups, and earlier staffing challenges associated with getting a sufficient number of experienced drillers given the high levels of activity in the exploration diamond drilling industry.

In 2006, we encountered mill process difficulties associated with higher levels of concrete dilution. We have installed sand filters in the mill to improve the clarity of the uranium solution. In addition, further mill process changes are planned for implementation in 2007. We are confident that with these changes, the Key Lake mill will be able to process this ore with high concentrations of concrete at target mill production rates.

The increased concrete concentrations result from the mining process at McArthur River. 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.

In order to maximize mining ore recovery the cylindrical raises are deliberately overlapped. Therefore, as we mine ore that is adjacent to previously mined out raises backfilled with concrete, we experience higher concentrations of concrete in the mined ore and resulting uranium ore slurry.

As previously reported, we have applied to increase the annual licensed production capacity at both the McArthur River mine and the Key Lake mill to 22 million pounds U_3O_8 (compared to the current 18.7 million pounds). This application has been undergoing a screening level environmental assessment (EA) as required by the Canadian Environmental Assessment Act with the Canadian Nuclear Safety Commission (CNSC) as the responsible authority.

The CNSC has focused on an evaluation of the longer-term environmental impact of low levels of selenium and molybdenum in the Key Lake mill's effluent and the concentration of these substances in the downstream receiving environment.

Cameco has proposed a three-phase action plan to further reduce selenium and molybdenum discharges in the mill effluent, which was subsequently accepted by the CNSC staff. While we believe that the current level of control protects the environment and is consistent with past EAs of the Key Lake operation, we also recognize that improvements can be made to further reduce levels of these two metals.

At a commission level hearing in January 2007, the CNSC considered a proposed licence condition for the Key Lake mill to implement this plan. We expect a CNSC decision shortly and the first phase of the plan to be in place later in 2007. Reducing the current level of these metals discharged to the environment is expected to help advance the EA to increase the annual licensed production limit at the McArthur River mine and the Key Lake mill. While we cannot predict the outcome of this assessment, we expect that the parallel work on effluent reduction will advance consideration of the proposal. We remain confident that we can incrementally increase production levels with minimal environmental effect.

In addition to obtaining approval for the EA, we need to transition to new mining zones at McArthur River and to implement various mill process modifications at Key Lake in order to sustain increased production levels. Mine planning, development and freeze hole drilling for the McArthur River transition is ongoing. A revitalization pre-feasibility assessment for the Key Lake mill was initiated in October 2006. The mill began production in 1983 and was built as a world-class facility. Revitalization of Key Lake will include upgrading circuits to new technology for simplified operation and increased production capacity.

Reinvesting in this mill will help maintain our leadership position in uranium production for many years into the future.

At McArthur River, work also progressed on the planning of a boxhole boring mining method, which we anticipate using for production from upper zone 4 beginning in 2012. This zone is south of the current zone 2 workings and the Pollock (main) shaft. We completed the mine plan for the boxhole boring test area for development in 2007 to 2008 and placed an order for a boxhole borer for delivery in early 2008. Long-term conceptual planning for resources north of the Pollock shaft was carried out and development of a tunnel for future access and drilling is progressing as planned.

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

Rabbit Lake

Rabbit Lake, located in Saskatchewan, produced 5.1 million pounds of U_3O_8 in 2006. Production in 2006 was lower than 2005 as a result of lower than expected ore grades encountered at Eagle Point underground operations. In 2007, we are expecting to mine areas with higher grades relative to 2006. The outlook for 2007 production is 5.5 million pounds of U_3O_8.

In 2006, the Rabbit Lake operation returned the mined out A-zone open pit to the surrounding Wollaston Lake and completed a mill project that reduces the concentration of uranium in the operation’s effluent discharge.

Similar to previous years, the underground diamond-drilling reserve replacement program was successful in 2006. Over 69 kilometres of drilling was completed with excellent results. At the end of 2006, total proven and probable reserves are estimated at 737,000 tonnes at 1.2% U_3O_8 for 19.1 million pounds in areas that are currently being mined and in a new zone that is in close proximity to a newly producing mining area. We now anticipate that the Eagle Point mine life will continue through to 2011.

As previously reported, we have been working on an EA to process a little over one-half of the future uranium production from Cigar Lake ore at the Rabbit Lake mill beginning in the third year of Cigar Lake production, depending on the production rampup. The draft EA study report was submitted to regulatory agencies for review in November 2006. We held a meeting with regulatory reviewers in February 2007 and are now preparing responses to their initial comments and questions. Rabbit Lake began operation in 1975 and is Saskatchewan’s longest operating uranium operation. Given we expect to extend the life of this facility by processing a portion of Cigar Lake’s ore, we will begin a revitalization assessment of the mill in 2007.

Smith Ranch-Highland and Crow Butte

Smith Ranch-Highland and Crow Butte in situ leach (ISL) mines, located in Wyoming and Nebraska respectively, produced a record 2.7 million pounds in 2006, up from our original target of 2.4 million pounds. Smith Ranch-Highland produced 2.0 million pounds of our ISL production in 2006, which is the highest production achieved in the history of ISL mining in the US.

Uranium Projects

Cigar Lake

Cameco began construction of the Cigar Lake mine on January 1, 2005. On October 23, 2006, Cameco reported that a rock fall causing a water inflow had flooded the underground development.

As previously announced, Cameco intends to complete a technical report for Cigar Lake that meets requirements under Canadian Securities Administrators' National Instrument 43-101. In the course of preparing that report, the company finalized material information which was news released on March 18, 2007. More detailed information will be available in the technical report that Cameco plans to file with SEDAR before the end of March 2007. The information contained in news release issued on March 18, 2007 is discussed below.

Cameco is proceeding with a five-phase plan to restore the underground workings at Cigar Lake and complete construction. Each phase requires regulatory approval which has already been received for the work under way in phase one, other than drilling dewatering holes.

Cameco's share of additional capital costs to develop Cigar Lake, including mill modifications at Rabbit Lake and McClean Lake (where the uranium will be processed), is currently estimated at $274 million. Adding this new cost estimate to the $234 million that Cameco has already spent on Cigar Lake construction brings Cameco's share of total construction cost to develop the project to about $508 million. The increase from the last estimate of $330 million, provided on April 30, 2006, is primarily due to site costs during the extended construction period, higher contractor rates driven by the high level of construction activity in western Canada, increased energy costs and several scope additions. Two significant scope additions are increased dewatering capacity and optimized mine plans to freeze more underground areas such as the access tunnels to the production level. In addition to the $234 million of historic construction costs noted above, Cameco's investment in Cigar Lake as of December 31, 2006 included $378 million for expenditures related to test mining, infrastructure development and capitalized interest.

In addition to capital costs, Cameco's share of remediation expenses are expected to total $46 million, of which $5 million was expensed in 2006. In 2007, Cameco anticipates its share of remediation costs will be $32 million that will be expensed and reduce pre-tax earnings accordingly. In 2008, Cameco expects its pre-tax earnings to be reduced by $9 million of remediation expenses for Cigar Lake.

Forecast Cigar Lake Costs (Cameco's share)[1]

Capital costs ($ millions)	**Prior construction costs**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
Mine	203	68	99	71	—	—	441
Mills	31	6	5	9	5	11	67
Total	**234**	**74**	**104**	**80**	**5**	**11**	**508**

Remediation expenses[1]	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
($ millions)	5	32	9	—	—	—	**46**

1 Future costs are in constant 2007 dollars.

Cameco is making good progress on the first phase of remediation. The first phase involves drilling holes down to the source of the inflow and to a nearby tunnel where reinforcement may be needed, pumping concrete through the drill holes, sealing off the inflow with grout and drilling dewatering holes.

As of March 16, 2007, 13 of the 14 drill holes planned for reinforcing and sealing off the water inflow area are complete. Concrete is required in two locations underground — one near the rockfall to seal off the inflow area and another in a nearby tunnel to provide reinforcement. More than 1,000 cubic metres of

concrete have been poured through drill holes into the reinforcement area. The concrete mixture is designed to harden under water and is being poured in successive layers.

Cameco now expects to complete the work necessary to seal off the water inflow in the third quarter of 2007 after spending additional time learning the best way to work with concrete in the water underground. This timeline assumes that the current pace of drilling is maintained, and the concrete solidifies as planned to provide reinforcement and prevent or reduce water inflow sufficiently to enable mine dewatering. The integrity of the plug will not be known until dewatering is under way.

Cameco has applied to the regulators for approval to drill an additional four, larger-diameter, holes that would be used to dewater the mine. Cameco has secured access to all drilling equipment required for the remediation work. We will also be making the appropriate application for relicensing since the current Cigar Lake construction licence expires at the end of 2007.

The subsequent four phases of remediation and construction are:

Phase 2	Dewatering the underground development, verifying the water inflow has been sufficiently sealed, and initiating the installation of surface freezing infrastructure — expected to be completed by the end of the third quarter 2007.
Phase 3	Completing any additional remedial work identified in phase two such as determining if additional reinforcement is required in higher risk areas — expected by the end of 2007.
Phase 4	Completing underground rehabilitation that includes securing areas to prevent ground fall or water inflow, re-establishing mine ventilation, installing pumping capacity and re-establishing the ore freezing program — expected to be completed by the summer of 2008.
Phase 5	Resuming construction activities that will lead to scheduled completion of the mine-targeted for 2010.

While these phases are under way, the area around the flooded second shaft will be frozen after the installation of underground freeze pipes from a nearby tunnel. This is anticipated to be completed by the summer of 2008. Shaft sinking will continue with completion scheduled for 2010.

Cameco has hired internationally qualified independent experts to investigate the two water inflow incidents at the Cigar Lake project and provide corrective action recommendations. The company will be carefully reviewing the final reports to identify opportunities for improvement.

After construction is complete, Cameco estimates production startup in 2010, ramping up to the company's share of full production of about 9 million pounds in just over two years. This is subject to regulatory approval and the remediation being completed in a timely fashion.

Following a review of the reserves and resources at Cigar Lake, Cameco's share of proven reserves remains unchanged at 113.2 million pounds. However, a small amount (Cameco's share is 2.6 million pounds) of probable reserves have been reclassified as indicated resources due to a change in the cut-off grade to 5.9% U_3O_8. Additional work is required on the inferred resources to determine if they can be reclassified to a higher category.

Cigar Lake Reserves and Resources at March 16, 2007

Category	Tonnes (thousands)	Grade %U_3O_8	Total lbs U_3O_8 (millions)	Cameco's Share lbs U_3O_8 (millions)
Reserves				
Proven reserves	497	20.7	226.3	113.2
Resources				
Indicated resources	61	4.9	6.6	3.3
Inferred	317	16.9	118.2	59.1

Notes:

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

2 Cameco's share is 50.025% of total.

3 Total pounds U_3O_8 for reserves are contained pounds before mill recovery of 98.5 % has been applied.

4 Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category.

5 Mineral reserves have been estimated at a minimum mineralized thickness of 2.5m and a cut-off grade of 5.9 % U_3O_8 applied to the mineral resource block model. Indicated mineral resources have been estimated at a cut-off grade of 1.2 % U_3O_8 and minimum mineralized interval of 2.5m. Inferred mineral resources have been estimated at a cut-off grade of 5.9 % U_3O_8.

6 The geological model employed for Cigar Lake involves geological interpretations on section and plan derived from core drill hole information.

7 Mineral reserves have been estimated assuming an allowance of 0.5 m of dilution above and below the deposit, plus 5% external dilution and 5% backfill dilution at 0% U_3O_8.

8 Mineral reserves have been estimated based on 90% mining recovery. No allowance for mining recovery is included in mineral resources.

9 Mineral reserves and mineral resources were estimated based on the use of the jet boring mining method combined with block freezing of the orebody. Jet boring produces an ore slurry with initial processing consisting of crushing and grinding underground, leaching at the McClean Lake mill and yellowcake production split between the McClean Lake and Rabbit lake mills. Mining rate assumed to vary between 80 and 140 t/d and mill production rate of 18 million pounds of U_3O_8 per year based on 98.5 % mill recovery.

10 Mineral reserves and resources were estimated using a two-dimensional block model.

11 For the purpose of estimating mineral reserves in accordance with NI 43-101, a uranium price of $38.50 (US)/lb U_3O_8 was used. For the purpose of estimating mineral reserves in accordance with US Securities Commission Industry Guide 7, a uranium price of $32.30 (US)/lb U_3O_8 was used. Estimated mineral reserves are almost identical at either price because of the insensitivity of the mineral reserves to the cut-off grade over the range of these two prices.

12 The key economic parameters underlying the mineral reserves include an exchange rate of $0.91 US=$1.00 Cdn.

13 Environmental, permitting, legal, title, taxation, socio-political, marketing or other issues are not expected to materially affect the above estimate of mineral reserves and resources.

14 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

At a mill recovery rate of 98.5%, Cameco anticipates that its share of proven reserves will produce 111.5 million recoverable pounds of U_3O_8 over 14.8 years of production. The first five years of planned production are as follows:

Cameco's share of Cigar Lake production	2010	2011	2012	2013	2014
(million pounds U_3O_8)	1.5	4.5	8.8	9.0	9.0

Cigar Lake will produce less than Cameco's share of full production of 9 million pounds in the early and late years resulting in an average total recovery of 7.5 million pounds annually over the reserve life.

The above discussion regarding Cigar Lake should take into consideration the following risk factors:

- Cigar Lake is a challenging deposit to develop and mine. These challenges include control of groundwater, weak ground formations, and radiation protection. The sandstone overlying the basement rocks contains significant water at hydrostatic pressure. Freezing the ground is expected to result in several enhancements to the ground conditions, including: (1) minimizing the risk of water inflows from saturated rock above the unconformity; (2) reducing radiation exposure from radon dissolved in the ground water; and (3) increasing rock stability. However, freezing will only reduce, not eliminate, these challenges. There is also the possibility of a water inflow during the drilling of holes to freeze the ground. Therefore, the risk of water inflows at Cigar Lake remains. The consequences of another water inflow will depend upon the magnitude, location and timing of any such event, but could include a significant delay in Cigar Lake's remediation, development or production, a material increase in costs, a loss of mineral reserves or require Cameco to give notice to many of its customers that it is declaring an interruption in planned uranium supply. Such consequences could have a material adverse impact on Cameco. Water inflows are generally not insurable.
- Cigar Lake's remediation and production schedules are based upon certain assumptions regarding the condition of the underground infrastructure at the mine. The condition of this underground infrastructure, however, will not be known until the mine is dewatered. If the underground infrastructure has been impaired, this could adversely impact our schedules and cost estimates.
- The outcome of each phase of remediation will impact the schedule of each subsequent phase of remediation and the planned commencement of production in 2010. For example, if the plug is not successful in securing the inflow area, then ground freezing, already incorporated in the remediation plan, will be utilized to secure the inflow area. If this situation occurs, there could be a delay in the remediation schedule and the commencement of production.
- Remediation and production schedules will be impacted by regulatory approvals. We have not yet received regulatory approval to drill four drill holes for dewatering the mine during the first phase of the remediation plan. This approval is required to move forward with our planned dewatering strategy. We believe that each phase of remediation falls within the scope of the environment assessment of the Cigar Lake project. If regulatory authorities do not agree, this could impact our remediation and production schedules. In addition, working with the regulatory authorities to receive approvals for additional corrective actions which may result from current inflow investigations may impact our remediation and production schedules. Readers are cautioned that conclusions, projections and estimates set out in the section above under the heading "Cigar Lake" are subject to the qualifications, assumptions and exclusions which are detailed in the technical report. To fully understand the summary information set out above, the technical report that will be filed on SEDAR should be read in its entirety.

The scientific and technical information in this news release was prepared under the supervision of:

- Alain G. Mainville, a professional geoscientist employed by Cameco as director, mineral resources management.
- Barry W. Schmitke, a professional engineer employed by Cameco as the general manager of the Cigar Lake project.

The individuals noted above are qualified persons for the purpose of National Instrument 43-101.

INKAI

At the Inkai ISL project in Kazakhstan, there are two production areas currently in development (blocks 1 and 2). At block 1, construction is under way for the commercial processing facility. In 2007, we expect to complete construction and begin commissioning the commercial facility, subject to regulatory approvals. We expect startup of production in late 2007 with commercial production to follow in 2008 after a rampup period.

At block 2, the test mine produced about 0.8 million pounds U_3O_8 during 2006. Production from the expanded facility started in the second quarter of 2006. Assuming that resources are converted to reserves this year, we would apply for a mining licence in 2007 for block 2. Commercial development of block 2 could start in 2008. As previously reported, production from blocks 1 and 2 is expected to total 5.2 million pounds per year by 2010.

The total cost to bring Inkai to commercial production (100% basis) is now projected to be about $200 million (US). The capital expenditures for Inkai in 2007 are expected to total $90 million (US). The production obtained from the Inkai test mine is being sold and proceeds from the sales are used to fund the construction and operation of the project. Including the recoveries related to these sales, the net cost of development at Inkai is expected to be about $95 million (US).

Inkai will be subject to taxes in Kazakhstan at statutory rates fixed at the signing of the Resource Use Contract in 2000. Inkai will also be subject to Excess Profits Tax. Excess profits tax becomes payable when the internal rate of return of the project (as defined in the applicable tax code) exceeds 20%. Excess profits tax is levied at rates scaled from 4% to 30%, depending on the internal rate of return. The excess profits tax rate is applied to pre-tax net income less income tax. Inkai will not pay excess profits tax in 2007. The timing of excess profits tax in the future, after Inkai reaches commercial production will be dependent on the internal rate of return of the project.

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 2006, these purchase commitments totalled 51 million pounds uranium equivalent from 2007 to 2013. Of this, 46 million pounds are from exercising options under our agreement to purchase uranium from dismantled Russian weapons (the Russian HEU commercial agreement). At December 31, 2006, these purchase commitments totalled $598 million (US). Refer to note 24 in the notes to consolidated financial statements.

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 almost one-third attributable to labour. The largest variable operating cost is production supplies (25%), followed by maintenance materials (10%). Another large component of production costs is contracted services which is 23% of the total. Contracted services include items such as mining, maintenance, air charters, security and ground freight. These four components make up 90% of the production costs at our Saskatchewan uranium mines.

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 21% 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. In 2006, US ISL production accounted for about 13% of the company's 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 $599 million (US) at December 31, 2006. Refer to note 24 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 fuel services business. For that reason, the effect on both businesses will be discussed in this section.

Sales of uranium and fuel services are routinely denominated in US dollars while production costs are largely denominated in Canadian dollars. We attempt to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. Hedging activities partly shelter our uranium and fuel services revenues against declines in the US dollar in the shorter term.

Cameco also has a natural hedge against US currency fluctuations as a portion of its annual cash outlays, including purchases of uranium and fuel services, is denominated in US dollars. 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, 2006, the Canadian/US dollar exchange rate was $1.17, unchanged from December 31, 2005. Over the course of the year, the exchange rate averaged $1.13.

At December 31, 2006, we had foreign currency contracts of $1,237 million (US) and EUR 58 million that were accounted for using hedge accounting and foreign currency contracts of $127 million (US) that did not meet the criteria for hedge accounting. The foreign currency contracts are scheduled for use as follows:

	2007	2008	2009	2010
$ millions (US)	584	375	270	135
EUR millions	32	13	10	3

The US currency contracts have an average effective exchange rate of $1.17 (Cdn) per $1.00 (US), which reflects the original foreign exchange spot prices at the time contracts were entered into and includes net deferred gains.

At December 31, 2006, the mark-to-market loss on all foreign exchange contracts designated as hedges was $34 million compared to a $37 million gain at December 31, 2005. For those contracts not designated as hedges, the mark-to-market loss of $2 million has been included in earnings for 2006.

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, 2006, net deferred gains totalled $26 million. The schedule for net deferred gains to be released to earnings, by year, is as follows:

Deferred Gains (Charges)	2007	2008	2009	2010
$ millions (Cdn)	15	9	2	0

In 2006, most of the net inflows of US dollars were hedged with currency derivatives. Net inflows represent uranium and fuel services sales less US dollar cash expenses and US dollar product purchases. For the uranium and fuel services businesses in 2006, the effective exchange rate, after allowing for hedging, was about $1.20 compared to $1.30 in 2005.

For 2007, every one-cent increase/decrease in the US to Canadian dollar exchange rate would result in a corresponding increase/decrease in net earnings of about $6 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 one of the low-cost producers,
- expand our market position, and
- increase supply flexibility.

There are a number of key strategies the company uses to achieve these 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 grow our market position by acquisition, seeking to accelerate production from existing operations, and participating in new uranium opportunities at exploration and development stages.

To increase 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:

- 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 manner in which investment funds liquidate their holdings,
- ultimate sales by the US Department of Energy (DOE),
- the extent enrichment services are substituted for natural uranium feed, and
- the growth rate of nuclear power.

Given the uncertainty surrounding the foregoing supply/demand factors and the impact on price, we believe it is prudent to continue to target a mix of market-related and fixed price mechanisms.

As we have discussed in the past, our contracting objective is to secure a solid base of earnings and cash flow to allow us to maintain our core asset base and pursue growth opportunities over the long-term. Our contracting strategy focuses on reducing the volatility in our future earnings and cash flow, while providing both protection against decreases in market price and retaining exposure to future market price increases. This is a balanced approach, which we believe delivers the best value to our shareholders over the long-term.

Our current portfolio reflects a 60/40 mix of market-related and fixed pricing (escalated by inflation) mechanisms. Currently, our contracting is more focused on market-related pricing. Consequently, we expect this ratio to change over time.

The overall strategy will continue to focus on achieving longer contract terms of up to 10 years or more, floor prices that provide downside protection, and retaining an adequate level of upside potential. In general, most new offers include price mechanisms with an 80% market-related and 20% fixed component. The fixed-price component generally is equal to or higher than the industry long-term price indicator at the time of offer and is adjusted by inflation. The market-related component will include a floor price (escalated by inflation).

Cameco has a variety of supply sources including primary production, firm commitments for long-term purchases, inventories of six months forward sales (or equivalent to about 17 million pounds, including working inventory) and uranium from opportunistic purchases in the spot market.

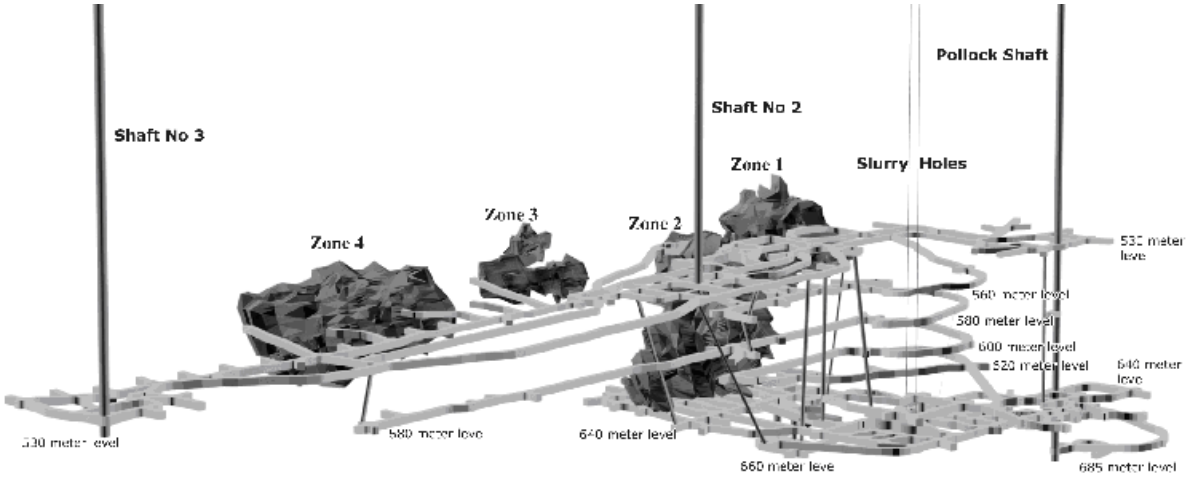
Capability to Deliver Results

Cameco will continue to enhance its capabilities in a number of areas to execute our strategies and deliver on our goals to remain one of the low-cost producers, protect and expand our market position and increase supply flexibility. We will achieve these goals by:

- transitioning successfully from current mining areas to new ones,
- advancing other mining methods and technologies,
- proceeding with revitalization plans for our milling operations,
- obtaining timely regulatory approvals under an increasingly stringent regulatory regime,
- securing adequate human resources to replace an aging workforce, including ensuring skilled tradespeople continue to be available,
- ensuring capital is readily available over the longer term given our expansion plans,
- allocating adequate resources to exploration, and
- evaluating and acting upon opportunities that we expect to add value.

TRANSITION TO NEW MINING AREAS

Underground drilling exploration at McArthur River has identified four ore zones (zones 1 to 4). Currently, only zone 2 is being mined. Zone 2 is divided into four panels (panels 1, 2, 3 and 5).



The McArthur River mine schematic above illustrates the location of the four ore zones.

As extraction of zone 2 (panels 1, 2, and 3) progresses, we expect to place zone 1, zone 2 (panel 5) and the lower mining area of zone 4 into production by 2009, subject to regulatory approval. We plan to continue using the raiseboring method to extract ore in these zones.

All tunnels have been developed for zone 1 and we do not expect any technical issues. At zone 2 (panel 5) and lower zone 4, freeze hole drilling and tunnel construction commenced in 2006. Through much of 2006, freeze-hole drilling advanced at a slower than expected rate due to technical challenges with drilling through frozen ground, additional time required to address operational challenges. For example, we made improvements to the drill setups, and addressed earlier staffing challenges associated with getting sufficient experienced drillers given the high levels of activity in the exploration diamond drilling industry. We have modified our freeze-hole drilling technique and equipment and have since achieved our scheduled target drilling rates.

MINING METHODS

Currently, McArthur River uses raiseboring 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. In 2006, we completed the mine plan for the boxhole boring test area and placed an order for a boxhole borer for delivery in early 2008. Mine development for the test area is planned to take place during 2007 and 2008. During this time, we will continue to further develop detailed plans for this mining method.

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 rampup period.

Revitalization of Mills

The Key Lake and Rabbit Lake mills have been in operation for 24 and 32 years respectively. We plan to renew both these mills to help maintain our leadership position in uranium production. A revitalization pre-feasibility assessment for the Key Lake mill was kicked off in October 2006. We are targeting to complete the final feasibility study in early 2008. A revitalization assessment of the Rabbit Lake mill will begin in 2007.

Regulatory Approval

Cameco's growth plans depend on regulatory approvals such as environmental assessments, and obtaining construction 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, changing regulatory standards and other factors.

Cameco expends significant financial and managerial resources to comply with laws and regulations. We seek to find solutions that best reduce or eliminate our environmental impacts.

Human Resources

Cameco's workforce reflects the national demographics where a significant number of the eligible workforce is nearing retirement age. Approximately 27% of the workforce at our Saskatchewan uranium mines was age 50 or older at December 31, 2006. Cameco's challenge is to compete for the limited number of people entering the workforce to replace retiring employees. We have developed a long-term people strategy that includes workforce planning to meet this challenge. Another challenge we have is securing skilled tradespeople. Cameco is examining various options to accelerate our extensive apprenticeship programs.

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 $45 million in uranium exploration during 2007. This is up 29% compared to the $32 million invested in 2006.

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

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.

URANIUM BUSINESS HIGHLIGHTS

	2006	2005	% CHANGE
Revenue ($ millions)	**803**	690	16
Gross profit ($ millions)	**237**	159	49
Gross profit %	**30**	23	30
Earnings before taxes ($ millions) [1]	**181**	134	35
Average realized price			
($US/lb)	**20.62**	15.45	33
($Cdn/lb)	**24.72**	20.14	23
Sales volume (million lbs) [2]	**32.1**	34.2	(6)
Deferred sales volume (million lbs)	**4.0**	0	—
Production volume (million lbs)	**20.9**	21.2	(1)

1 Excludes $69 million in earnings related to the gain on sale of Energy Resources of Australia Ltd shares for the year ended December 31, 2005.

2 Total delivered volumes for 2006 was 36.2 million pounds. Revenue on 4.0 million pounds was deferred due to standby product loans.

In 2006, we reported that Cameco had entered into standby product loan agreements with two of our customers. The loans allow Cameco to borrow up to 5.6 million pounds U_3O_8 equivalent over the period 2006 to 2008, with repayment in 2008 and 2009. Of the material available under the loan, up to 1.4 million kgU can be borrowed in the form of uranium hexafluoride (UF_6). Any borrowings will be secured by letters of credit and be settled in kind.

As of December 31, 2006, Cameco had not borrowed any material under the standby loan agreements. However, regardless of whether any material is borrowed, we defer revenue recognition from sales to the counterparties of the standby product loan agreements, up to the limit of the loans (5.6 million pounds). This is in accordance with accounting standards. Cameco will recognize the deferred revenue and associated costs when the loan agreements are terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

Accordingly, in 2006, Cameco has deferred revenue of $80 million and the associated costs on sales of 4.0 million pounds of U_3O_8. The gross profit on the deferred sales was $15 million.

The timing of cash receipts on the deferred revenue is the same as on any other sale and is unaffected by the accounting treatment for the revenue. As a result, cash flows are not impacted by the deferrals.

Standby fees associated with the loan facilities are reflected in the "Interest and Other" expense item on the Consolidated Statement of Earnings.

Our reported revenue and costs for U_3O_8 discussed throughout this MD&A have been reduced to reflect the required deferrals. Similarly, the average realized price for U_3O_8 has been adjusted.

Revenue

Compared to 2005, revenue from our uranium business rose in 2006 by 16% to $803 million due to a 33% increase in the realized selling price (in US dollars) partially offset by a 6% decline in reported sales volume. The decline is a function of the deferred sales described above.

The average realized price in Canadian dollars, increased by only 23% due to the stronger Canadian dollar relative to the US dollar. The increase in the average realized price was the result of higher prices under fixed-price contracts and a higher uranium spot price, which averaged $49.60 (US) per pound in 2006 compared to $28.67 (US) in 2005.

Cost of Products and Services Sold

For 2006, the cost of products and services sold was $472 million compared to $429 million in 2005, reflecting increases in the cost of purchased uranium and in the proportion of sales commitments met with purchased material. In 2006, purchased material represented about 45% of sales compared to 35% in 2005. On a per unit basis, the cost of product sold was about 16% higher than in the previous year due to the foregoing factors.

Depreciation, Depletion and Reclamation

In 2006, depreciation, depletion and reclamation (DD&R) charges were $94 million compared to $102 million in 2005, due to the higher proportion of sales of purchased uranium. On a per unit basis, DD&R costs were about 5% lower than in 2005.

Gross Profit

In 2006, our gross profit from the uranium business amounted to $237 million compared to $159 million in 2005, an increase of 49%. This was attributable to the 23% 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 $181 million from $134 million last year, while the profit margin rose to 30% from 23% in 2005 again due to the higher realized selling price.

2007 Outlook for Uranium

In 2007, the reported sales volume and associated revenue may be affected by changes to product loan arrangements. Total uranium deliveries amounted to 36 million pounds in 2006, while reported sales volume was 32 million pounds due to the accounting for the product loans.

In 2007, we expect uranium deliveries to total 33 million pounds. However, the reported sales volume for revenue purposes depends upon the product loan arrangements. We may terminate a portion or all of the product loan arrangements in 2007. To the extent we terminate the product loan arrangements, revenue that was deferred on up to 4 million pounds in 2006 would be recognized in 2007. If the product loan facilities remain in place unchanged, we would be required to defer revenue on an additional 1.6 million pounds in 2007, regardless if any amount is drawn on the loans. Assuming the product loans remain in place, we would expect our reported revenues to be about 45% greater than in 2006 due to an increase in our realized price.

Excluding the impact of any deferrals related to the product loans, we would expect our uranium revenue for 2007 to increase by about 50% due primarily to an increase in the realized price. Our average realized uranium price is anticipated to improve due to higher expected prices under our current contracts relative to 2006.

The unit cost of product sold is projected to increase by about 20% as a result of increased costs for purchased material, higher royalty costs due to an increase in the realized price, the impact of tiered royalty charges and increased production costs expected to be incurred in 2007.

As mentioned in the 2006 fourth quarter report, we have included supply interruption language in our contracts, which provides Cameco with the right to reduce, defer or cancel volumes on a pro-rata basis if we experience a shortfall in planned production or deliveries of purchases under the highly enriched uranium agreement. This language protects about three-quarters of currently contracted volumes, and this percentage will rise as old contracts expire. All contracts contain standard force majeure language.

The baseload contracts put in place to support the development of Cigar Lake also contain supply interruption language, which allows Cameco to reduce, defer or cancel deliveries in the event of any delay or shortfall in Cigar Lake production.

Since the Cigar Lake water inflow, we have been in discussions with our customers to address the production delay at the mine and its possible effect on uranium deliveries. Our immediate focus is on customers who will be impacted with uranium deliveries in 2007.

In the case of the Cigar Lake baseload contracts containing deliveries in 2007, we plan to defer the volumes to the end of the various contracts.

For the remainder of the contracts that are impacted by the supply interruption language in 2007, we plan to defer the portion of deliveries impacted by this language for a five to seven-year period.

Contract specific decisions will be made in consultation with each of our customers. We appreciate their understanding and support.

In 2007, Cameco expects its pre-tax earnings will be reduced by $32 million of remediation expenses for Cigar Lake.

Cameco's share of uranium production for 2007 is projected to increase slightly to 21.0 million pounds of U_3O_8 from 20.9 million in 2006. These quantities do not include Inkai as the operation is not yet in commercial production.

Cameco did not pay tiered royalties in 2006 and prior years due to the availability of prescribed capital allowances that reduce uranium sales subject to tiered royalty. Cameco expects its capital allowances to be fully exhausted during 2007 and, therefore, expects to pay tiered royalties in 2007. We currently estimate that tiered royalties will reduce net earnings by approximately $10 million in 2007. We will be eligible for additional capital allowances once Cigar Lake commences production at which time we do not expect to be required to pay tiered royalties until the additional allowances are fully exhausted. The following is an example of how tiered royalties are estimated.

CALCULATION OF TIERED ROYALTIES
(2006 rates; index value to determine rates for 2007 not available until April, 2007)

Assumptions:

- based on 100,000 pounds U_3O_8 sold, and
- no capital allowance are available

Sales Price Realized ($ Cdn)	Tier 1 Royalty[1]	Tier 2 Royalty[2]	Tier 3 Royalty[3]	Total Tiered Royalty
$25.00	$ 53,040	$ 3,040	—	$ 56,080
$35.00	$113,040	$ 43,040	$ 13,350	$ 169,430
$45.00	$173,040	$ 83,040	$ 63,350	$ 319,430
$55.00	$233,040	$123,040	$113,350	$ 469,430
$65.00	$293,040	$163,040	$163,350	$ 619,430
$75.00	$353,040	$203,040	$213,350	$ 769,430
$85.00	$413,040	$243,040	$263,350	$ 919,430

1 6% x (Sales Price — $16.16) x 100,000 pounds U_3O_8

2 4% x (Sales Price — $24.24) x 100,000 pounds U_3O_8

3 5% x (Sales Price — $32.33) x 100,000 pounds U_3O_8

The outlook for 2007 financial results for the uranium business segment do not include all the expected adjustments for the Cigar Lake water inflow incident as they are being finalized. Also the outlook is based on the following key assumptions:

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

Uranium Exploration

A significant part of our future production base is expected to result from our global exploration activities. We have maintained an active exploration program even during the bottom of the uranium price cycle, reflecting our long-term commitment to the industry. Over the past five years we have significantly increased our investment in exploration programs. We invested about $32 million in uranium exploration during 2006.

We have skilled and experienced exploration staff with more than 80 professionals searching for the next generation of economic deposits. Our land holdings are substantial, with approximately 4.8 million hectares (11.8 million acres) of Cameco and partner-operated land, primarily in Canada, Australia, the US, Mongolia and Africa. Our activities include both brownfields and greenfields prospects and we monitor potential acquisition targets.

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 2006, 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.

2006 EXPLORATION RESULTS

Brownfield Exploration

Brownfield exploration refers to uranium exploration activity undertaken near existing operations and advanced projects. In 2006, we made progress on several projects. We continue our drilling programs intended to add resources at the McArthur River and Rabbit Lake operations, which could extend the mine life at both locations.

At Rabbit Lake, the underground diamond-drilling reserve replacement program was successful in 2006, with over 69 kilometres of drilling being completed with excellent results. At the end of 2006, total proven and probable reserves are estimated at 737,000 tonnes at 1.2% U_3O_8 for 19.1 million pounds in areas that are currently being mined and in a new zone that is in close proximity to a newly producing mining area.

In addition, both the Millennium and Collins Creek deposits were advanced in 2006.

Regional Exploration

The Centennial discovery on the Virgin River project was extended with several new mineralized holes, confirming the significance of this new mineralized region.

As part of Cameco's continuing expansion of uranium exploration activities, our land holdings were increased significantly, either directly or under option, with new projects in Nunavut, the Northwest Territories, and Mongolia.

Also in March 2007, Cameco signed additional non-binding memorandums of understanding (MOU) with Joint Stock Company Techsnabexport (Tenex), a leading state-owned Russian nuclear company, to explore in Russia and Canada.

Building on the MOU signed in November 2006, Cameco and Tenex have further developed terms on which they would co-operate on joint uranium exploration projects in Russia and Canada and, if warranted, engage in development and production of uranium deposits that are found. Cameco and Tenex have also identified priority projects for possible future joint exploration activities in Russia and Canada that would be disclosed when agreements are finalized. Cameco anticipates that binding agreements will be signed in 2007.

Junior Exploration Companies

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 400 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, 2006, Cameco owned a 21.6% 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 2006, Cameco completed its acquisition of a 19.5% interest in UNOR Inc. (formerly Hornby Bay Exploration Ltd.). Cameco purchased 22.9 million common shares of UNOR at $0.40 per share through a private placement for $9.2 million. UNOR is a uranium exploration and development company with its head office in Toronto, Ontario. Its principal properties are 226 mineral claims in northwestern Nunavut on the Hornby Basin, a geological formation with similar characteristics to the uranium-rich Athabasca Basin in northern Saskatchewan. The strategic alliance agreement concluded between Cameco and UNOR includes the following terms:

- As long as Cameco continues to hold 10% of UNOR's outstanding common shares, it will have the right to nominate one person for election to UNOR's board of directors, and UNOR will consult with Cameco on its exploration and development programs;
- As long as Cameco continues to hold 16% of UNOR's outstanding common shares, it will have the right to participate in any future equity issues, match equity or debt required for mine development, operate any mine developed on UNOR's properties and market any uranium produced; and
- Cameco and UNOR each have a right of first refusal on each other's uranium projects in a specified area of Nunavut and the Northwest Territories.

On January 26, 2007, Cameco signed a Letter of Intent with Vena Resources to establish a jointly-owned company to explore and develop Vena's uranium assets in Peru. Subject to signing definitive agreements, the new company will begin by initially exploring and developing the numerous uranium targets held by Vena in southern Perú. Under the terms of the Letter of Intent, Cameco has the option to invest $10 million over the next four years in two stage payments to obtain up to 50% of MINERGIA SAC, the private company that holds Vena's uranium landholdings in Perú. Cameco can increase its stake in MINERGIA to 60% when a feasibility study is completed and to 70% when mine development commences.

2007 EXPLORATION OUTLOOK

Cameco plans to invest about $45 million in uranium exploration during 2007 as part of our long-term strategy to maintain our leadership position in uranium production.

Brownfield Exploration

Approximately 28% of the uranium exploration budget will be for brownfield exploration projects in the Athabasca Basin. We will invest $12.5 million on six advanced projects. The largest investment will be at McArthur River, where $3.8 million will be directed towards diamond drilling on the northern extension of the prolific P2 fault. At the Rabbit Lake operation, surface exploration will focus on both regional targets and mine-related targets, principally in the vicinity of the Eagle Point mine.

The Dawn Lake joint venture will continue work on two uranium deposits in 2007. Delineation of the Collins Creek deposit will continue, with additional drilling and a scoping study to examine potential mining scenarios. At the original Dawn Lake deposit, a pre-feasibility study on the 11A Zone will be completed by the second quarter of 2007.

Exploration activity at the Cree Zimmer and the Waterbury Lake projects will also increase in 2007. Priority targets on the Cree Zimmer project, which surrounds the historic Key Lake mining operation, include the P-Zone and the area on the main Key Lake fault southwest of the former Gaertner and Deilmann uranium

deposits. In 2007, exploration on the Waterbury Lake project will be focused east of the Cigar Lake orebody.

The partners on the Cree Extension joint venture approved the completion of a feasibility study on the basement rock hosted Millennium deposit in early 2008. Integral to the study will be the completion of a three-dimensional seismic survey over the deposit area. The survey will define the unconformity depth. Several shaft pilot holes will be drilled during the year.

Regional Exploration

The remaining $32.5 million of exploration expenditures in 2007 will be allocated among 44 projects worldwide, the majority of which are at drill target stage. Our largest investment will be in Saskatchewan, where a $3.3 million program will be completed on the Virgin River project as followup on the Centennial zone mineralization. We will also focus on projects in the Northwest Territories and Nunavut regions of northern Canada, where Cameco has a large land position. In addition to our existing land positions in the Northern Territory, Cameco will undertake work on new land positions in Western Australia and South Australia.

In 2007, exploration will also take place in the United States, Mongolia, and Africa, where Cameco is earning an interest in prospective land in Gabon. Cameco continues to evaluate other regions and projects globally, and we will add to our land position as new prospects are confirmed.

FUEL SERVICES BUSINESS

In 2006, the fuel services business added fuel fabrication services for Candu-type reactors as a result of our acquisition of Zircatec to our existing businesses of refining and conversion services. See the following discussion under “Fuel Fabrication.” Refining is an intermediate step to prepare uranium to be converted into either UF_6 or UO_2.

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 68 million kgU in 2006. Western world demand accounted for almost 60 million kgU with the remaining 8 million kgU coming from the non-western world (Russia, China and eastern Europe).

Over the next 10 years, world demand is expected to increase by 35% to about 92 million kgU. In 2007, total world conversion services demand is expected to increase by 3%.

Conversion Supply

The western world UF_6 conversion industry consists of Cameco and three other significant producers, with an annual conversion capacity of about 46 million kgU. In 2005, Cameco signed a toll-conversion agreement to acquire UF_6 conversion services from one of these other converters, Springfields Fuels Ltd. (SFL) in Lancashire, United Kingdom. Under the 10-year agreement, SFL 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 UF_6 conversion 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 steady during 2006. Spot prices increased slightly for North American conversion services and 8% for European conversion services year-over-year. Outlined below are the industry average spot market prices (TradeTech and Ux) for North American and European conversion services.

	Dec 31/06	Dec 31/05	% Change
Average spot market price ($US/kgU)			
· North America	11.75	11.50	2
· Europe	12.38	11.50	8

Outlined below are the industry average long-term prices (TradeTech and Ux) for North American and European conversion services.

	Dec 31/06	Dec 31/05	% Change
Average long-term price ($US/kgU)			
· North America	12.25	12.00	2
· Europe	13.75	12.88	7

The industry does not publish UO_2 prices.

Conversion Business — Key Performance Drivers

The major factors that drive Cameco's conversion business results are:

- prices — spot and long-term,
- volume — sales, production and purchases,
- costs — production and purchases, and
- the relationship between the US and Canadian dollars.

PRICES — SPOT/LONG-TERM

Cameco sells its conversion services directly to utilities located in many parts of the world, primarily through 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 2006, 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 current elevated 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 been finalized. Therefore, in the coming years, Cameco's contract portfolio will benefit from higher fixed-price contracts signed in the more recent higher priced environment.

VOLUMES — SALES, PRODUCTION, PURCHASES

Sales Volume

Cameco sold 18.5 million kgU of fuel services in 2006, up 11% from the 16.6 million kgU in 2005. We expect conversion sales volume to total about 20.2 million kgU in 2007, up 9% from 2006.

Production Volume

At our Port Hope conversion facility, we produced 12.5 million kgU in 2006 compared to 11.4 million kgU in 2005. The rise reflects increased fluorine generation capacity and other plant improvements achieved during the year. We anticipate production for 2007 to be 13.8 million kgU as UF_6 and UO_2.

The CNSC has not yet issued the draft scope for the required environmental study for the Vision 2010 project. This project proposes to clean up and modernize the Port Hope conversion facility site. Design and preliminary engineering for the project have been proceeding.

At our Blind River refinery, we produced a record 17.2 million kgU in 2006 compared to 15.1 million kgU for 2005. The increase was due to using the refinery to produce UO_3 for SFL. We anticipate annual production for 2007 to be about 15.8 million kgU to meet both Port Hope and SFL requirements. The CNSC issued Blind River a new 5-year operating licence in late February.

In mid December 2006, we received CNSC approval of the EA for the addition of pollution abatement equipment to the incinerator at our Blind River operation. This equipment is required to meet new Canadian standards for incinerator emissions that came into force in January 2007. The installation of the equipment has begun. The Blind River refinery needs an amendment to its operating licence in order to use this new equipment, which is subject to CNSC approval. We anticipate that the incinerator will be ready to commission late in the first quarter and start receiving material early in the second quarter of 2007.

The draft EA study report for the proposed increase in the Blind River licensed production capacity from 18 to 24 million kgU per year was filed with the CNSC for review late in the fourth quarter of 2007.

Purchase Volume

Cameco also has purchase commitments, which primarily reflect the conversion component of the low enriched uranium from Russian HEU, re-enriched tails product and beginning in 2006, the company's agreement to purchase SFL's conversion services for a 10-year period. Cameco's UF_6 conversion purchase commitments at December 31, 2006 total about 66 million kgU, most as conversion services.

COSTS

Cameco's mix of production and purchases influences its cost of sales. 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 $406 million (US) at December 31, 2006. Refer to note 24 in the notes to the 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. 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. Zircatec's primary business is manufacturing nuclear fuel bundles for sale to companies that generate electricity from Candu reactors.

In Port Hope, Ontario, Zircatec operates a facility that is licensed to handle uranium materials. The plant presses uranium dioxide powder into pellets that are loaded into tubes and then assembled into fuel bundles for Candu utility customers. 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 BPLP and BALP currently representing a substantial portion of its business. The plant's annual capacity is approximately 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 to:

- remain one of the low-cost producers,
- expand market position, and
- increase supply flexibility.

To achieve these goals, the company's strategies are to:

- improve its margins,
- ensure adequate production, and
- grow its market position.

We plan to improve our margins through quality and business process improvements and by pursuing fundamental productivity gains through technological development. We will ensure adequate production through extending and/or expanding production from current toll conversion arrangements or pursuing opportunities to build capacity. To 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
We have significantly increased our community outreach program in Port Hope through the implementation of a series of ongoing community liaison forums, community newsletters, newspaper advertising, open houses and a Port Hope dedicated website (camecoporthope.com). The response from the community has been very positive with excellent attendance at our forums and open houses.

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, 2006, about 35% of the conversion services workforce was age 50 or older. We have developed a long-term people strategy that includes workforce planning to meet that challenge.

Ready Access to Capital
Cameco has an ambitious plan to grow in the nuclear energy industry. Opportunities to invest are unpredictable and often capital intensive. We intend to maintain financial flexibility to pursue opportunities as they arise. For that reason, we maintain a conservative financial structure with a target of no more than 25% net debt to total capital.

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.

Fuel Services Business Results
In 2006, the fuel services business consisted of refining, conversion services and fuel fabrication services. In 2005, Cameco's fuel services business consisted of only refining and conversion services.

CONVERSION HIGHLIGHTS

	2006	2005	% Change
Revenue ($ millions)	**224**	158	42
Gross profit ($ millions)	**25**	28	(11)
Gross profit %	**11**	18	(39)
Earnings before taxes ($ millions)	**22**	25	(12)
Sales volume (million kgU) [1,2]	**18.5**	16.6	11
Production volume (million kgU) [2]	**13.2**	11.4	16

1 Kilograms of uranium

2 Includes Zircatec sales and production in 2006

The current results and outlook for fuel services reflect the deferral of revenue and the associated costs on conversion services deliveries of 1.0 million kgU, related to the standby product loan agreements discussed under the uranium business segment. The effect of the deferral was a decrease in reported revenue of $9 million. Gross profit on the deferred conversion services deliveries was $1 million.

As in the case of the deferred uranium revenue, the timing of cash receipts on the deferred revenue is the same as on any other sale and is unaffected by the accounting treatment for the revenue. As a result, cash flows are not impacted by the deferral. Cameco will recognize the deferred revenue and associated costs when the loan agreements are terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

REVENUE

In 2006, revenue from our fuel services business rose by 42% to $224 million compared to 2005, as a result of the inclusion of revenue from Zircatec and a 12% increase in fuel service deliveries. The timing of deliveries of nuclear products within a calendar year is at the discretion of our customers. A 1% increase in the average realized selling price contributed marginally to higher revenues. As noted above, most conversion sales are at fixed prices and have not yet fully benefited from the significant increase in UF_6 spot prices.

COST OF PRODUCTS AND SERVICES SOLD

In 2006, the cost of products and services sold was $180 million compared to $120 million in 2005, an increase of 50% due to the inclusion of costs from Zircatec, higher volumes and higher costs for purchased conversion. In 2006, a greater proportion of our sales commitments was met with purchased conversion compared to 2005. On a per unit basis, the cost of products and services sold increased by about 30% over the previous year.

DEPRECIATION, DEPLETION AND RECLAMATION

In 2006, DD&R charges were $19 million compared to $10 million in 2005 due to the inclusion of charges from Zircatec. The rate of depreciation per unit for fabrication is significantly higher than for conversion, causing total DD&R charges to nearly double.

GROSS PROFIT

In 2006, earnings before taxes from the fuel services business declined to $22 million from $25 million in the same period of 2005. The lower profitability was due to the higher cost of purchased and produced product.

Fuel Services Outlook for 2007

Cameco expects 2007 revenue from the fuel services business to be nearly 20% higher than in 2006 due to an anticipated 10% increase in deliveries and an improvement in the average realized selling price.

Fuel services sales volume in 2007 is expected to total 20.2 million kgU compared to sales of 18.5 million kgU in 2006. The cost of product sold is expected to increase due to the higher volume. On a per unit basis, product costs are projected to be similar to 2006.

The outlook for 2007 financial results for the fuel services business segment are based on the following key assumptions:

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

Fuel Services Price Sensitivity Analysis

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

NUCLEAR ELECTRICITY GENERATION BUSINESS

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 15% of Ontario's electricity needs.

Nuclear Electricity Generation Business Results

These financial 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 (BPLP) and Bruce A operations (Bruce Power A Limited Partnership or BALP). Effective November 1, 2005, Cameco's 31.6% interest in BPLP included 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 2006, our results reflect a four-unit operation. Our financial results for the first 10 months of 2005 reflected a six-unit operation, which was accounted for on an equity basis.

Bruce Power Limited Partnership (100% basis) [1]

	2006	2005	% Change
Output — terawatt hours (TWh) [1]	**25.8**	30.8	(16)
Capacity factor (%) [2]	**91**	79	15
Realized price ($/MWh)	**48**	58	(17)
Average Ontario electricity spot price ($/MWh)	**46**	68	(32)
($ millions)			
Revenue	**1,242**	1,787	(31)
Operating costs [3]	**807**	1,202	(33)
Cash costs	**701**	1,008	(31)
- operating & maintenance	**523**	779	(33)
- fuel	**65**	73	(11)
- supplemental rent [4]	**113**	156	(28)
Non cash costs (amortization)	**106**	194	(45)
Income before interest and finance charges	**435**	585	(26)
Interest and finance charges	**47**	65	(28)
Earnings before taxes [5]	**388**	520	(25)
Cash from operations	**514**	771	(33)
Capital expenditures	**103**	323	(68)
Operating costs ($/MWh)	**31**	39	(21)
Distributions [6]	**480**	1,033	(54)

1 In 2006, BPLP consists of the four B units, while in 2005 it included six units (four B and two A units) for the first 10 months and four B units for the remainder of the year.

2 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.

3 Net of cost recoveries.

4 Supplemental rent is about $28.3 million per operating reactor for 2006.

5 Excludes $149 million loss recorded on the restructuring of BPLP on October 31, 2005.

6 Distributions in 2005 include $633 million due to the Bruce Power restructuring. Cameco's share was $200 million.

Cameco's Earnings from BPLP

$ millions	2006	2005	% Change
BPLP's earnings before taxes (100%) [1]	**388**	520	(25)
Cameco's share of pre-tax earnings before adjustments	**122**	164	(26)
Proprietary adjustments	**6**	6	—
Pre-tax earnings from BPLP	**128**	170	(25)

1 Excludes $149 million loss recorded on the restructuring of Bruce Power on October 31, 2005.

Nuclear Electricity Generation Business Highlights

EARNINGS BEFORE TAXES

For 2006, BPLP earnings before taxes were $388 million compared to $520 million (which excludes the $149 million loss recorded on the restructuring of Bruce Power) in 2005.

Fewer days lost to planned outages in 2006, combined with substantially fewer forced outages, contributed to a significantly higher capacity factor and reduced unit operating costs. However, lower electricity spot prices offset these gains.

OUTPUT

For 2006, the BPLP units achieved a capacity factor of 91%, compared with 79% in the same period last year. These units produced 25.8 TWh during 2006 compared to 30.8 TWh (including 8.2 TWh from the A units up to October 31, 2005) over the same period last year. The decrease primarily reflects the loss of output from the A units as a result of the restructuring from six to four units in late 2005. The decrease was partially offset by higher output from the B units.

PRICE

For 2006, BPLP's electricity revenue totalled $1,242 million, compared to $1,787 million in 2005. During the year, BPLP's realized price averaged $48 per MWh from a mix of contract and spot sales compared with $58 per MWh last year. The Ontario electricity spot price averaged about $46 per MWh during the year, compared to $68 per MWh in 2005.

During 2006, about 51% of BPLP's output was sold under fixed-price contracts compared to 48% in 2005.

COSTS

For 2006, operating costs were $807 million, compared with $1,202 million in 2005. This decrease primarily reflects the costs of four units in 2006 versus the six units during most of 2005, and higher costs associated with planned and forced outages in 2005. The operating cost declined to $31 per MWh in 2006 from $39 per MWh in 2005.

CASH FROM OPERATIONS

For 2006, BPLP generated $514 million in cash from operations compared to $771 million in 2005 due to significantly weaker spot electricity prices and changes in working capital requirements. Due to the timing of sales, the accounts receivable balance increased by $32 million in the fourth quarter of 2006, whereas it decreased by $42 million in the fourth quarter of 2005.

CAPITAL EXPENDITURES

In 2006, capital expenditures were $103 million, down from $323 million in 2005 principally due to lower or completed expenditures for new steam generators, low pressure turbines and the new Bruce Power Support Centre building in 2005.

CASH DISTRIBUTIONS

BPLP also distributed $480 million to the partners in 2006. Cameco's share was $152 million. The partners have agreed that all future excess cash will be distributed on a monthly basis and that separate cash calls will be made for major capital projects.

BPLP Outlook Considerations

The results from BPLP are influenced by a number of factors including operating performance, costs and realized price. The operating performance is affected by planned and unplanned outages. Total costs are relatively insensitive to output shifts as about 95% of BPLP's operating costs are fixed and most of the costs are incurred whether the plant is operating or not. As such, unit costs are dependent on output and subject to large variability if output changes. Cameco reports BPLP costs net of recoveries. Realized prices are made up of a mixture of sales under contract at fixed prices and sales in the Ontario spot electricity market. The

Ontario spot price is dependent on a number of factors such as the supply of and demand for electricity. The demand for electricity is very sensitive to Ontario weather patterns.

BPLP's Outlook for 2007

In 2007, capacity factors for the B units are expected to average in the low 90% range similar to the 91% achieved in 2006. After investing significant capital on refurbishing the B units over the past few years, we anticipate continuing through 2007 with a significant reduction in time and expenditure on refurbishment programs, with only one planned outage in the first quarter of 2007. Unit B6 was shut down on January 20, 2007 and is expected back in service early in the second quarter.

For 2007, the average unit cost is expected to rise to $34 per MWh compared to $31 in 2006. Total costs are expected to rise by 12% in 2007 over 2006. The increase is due primarily to a rise in staff costs, operating and maintenance costs for heavy water treatment and fuel costs as well as lower incidental recoveries compared to 2006. In addition, higher amortization expenses are expected in 2007 reflecting the addition of the new administration building and other capital projects.

For 2007, we anticipate BPLP's revenue to be 18% higher than in 2006, almost entirely due to higher expected realized prices, which are made up of fixed contract prices and Ontario spot market electricity prices. The spot prices are very sensitive to Ontario weather patterns. The average realized price was $48 per MWh in 2006.

The 2007 outlook for BPLP assumes the B units will achieve their targeted capacity factor and that there will be no significant changes in current estimates for costs and prices.

2007 BPLP Capital Expenditures (100% Basis)

BPLP's capital expenditure program is expected to total $103 million. This includes $55 million for sustaining capital, with the balance for major projects and improvements.

2007 BPLP Capital Plan **$ millions**	**Bruce B Specific**	**Common Capital**	**Total BPLP**
Category			
Major Projects	$ 17	$ 16	$ 33
Improvement	15	—	15
Sustaining	23	32	55
Total Capital Plan	**$ 55**	**$ 48**	**$ 103**

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 BPLP reactors.

ELECTRICITY PRICE SENSITIVITY ANALYSIS

For 2007, BPLP has 7 TWh under contract, which would represent about 25% of Bruce B generation at its planned capacity factor. For 2007, 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 $4 million.

NEW FUEL PROGRAM

As part of its Bruce B power uprate project, BPLP had initiated plans to refuel the B units with modified fuel containing slightly enriched uranium (SEU) and blended dysprosium uranium beginning in 2008. Until recently, all four of the B units were operating at 90% of maximum power, based on an operating limitation imposed by the CNSC. The operating limitation ensures that necessary safety margins are maintained. The use of the modified fuel is intended to allow the reactors to operate at designed capacity, while maintaining necessary safety margins. Approval is required from the CNSC to operate the B units with the modified fuel.

In early 2007, Bruce Power revised its fuel deployment strategy and is now developing plans to load the modified fuel into the Bruce A reactors prior to loading any fuel into the B reactors, subject to the finalization of all commercial arrangements and Bruce Power board approvals. This will effectively delay the power uprate program at Bruce B.

While the delay of the new fuel program at the B units will result in the inability to restore power to 100%, Bruce Power has successfully taken other steps to partially restore power ratings at the B units. In 2004, unit B6 received 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. Units B7 and B8 have since also achieved this power uprate to 93%. Unit B5 is expected to receive this uprate by 2008.

GOLD

Centerra

Cameco owns 52.7% of Centerra, which is listed and publicly traded on the Toronto Stock Exchange under the symbol CG. We transferred substantially all of our gold assets to Centerra in 2004 as part of our strategy to unlock the value contained in these gold properties. Gold is not a core business for Cameco. Centerra was created as a vehicle for Cameco to eventually exit the gold business.

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. Centerra 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 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. At Kumtor, 208,000 ounces of reserves were added before accounting for mining of 416,000 contained ounces in 2006. The reserve grade increased by 20% from 3.8 g/t to 4.7 g/t due to the higher grade mineralization being delineated in the SB Zone. Measured and indicated resources increased by approximately 500,000 ounces and inferred resources significantly increased by 1.1 million ounces. Centerra will proceed with a $39 million (US) underground exploration and development program at Kumtor.

At Boroo, 342,000 contained ounces have been added, which replace reserves mined in 2006. Centerra will invest $19 million (US) to develop a heap leach addition to process approximately 645,000 ounces of contained gold.

As of December 31, 2006, on a 100% project basis, Centerra's proven and probable reserves totalled 7.0 million ounces of contained gold (Cameco's share is 3.6 million ounces).

Centerra has an aggressive 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 investment opportunities in the nuclear energy business.

For further information on Centerra, refer to its annual report and annual information form for 2006.

Gold Operating Results

Cameco fully consolidates the results of Centerra's operations. Cameco adjusts for a 47% minority interest in Centerra, which reflects that share of earnings attributable to shareholders other than Cameco.

Gold Highlights	2006	2005	% Change
Revenue ($ millions)	**414**	412	1
Gross profit ($ millions)	**101**	107	(6)
Gross profit %	**24**	26	(8)
Realized price ($US/ounce)	**597**	433	38
Sales volume (ounces)	**610,000**	781,000	(22)
Production (ounces)	**587,000**	787,000	(25)

Gold Financial Results

In 2006, revenue from our gold business increased by $2 million to $414 million compared to 2005. This increase was attributable to higher gold prices, offset by lower production at Kumtor. The realized price for gold increased to $597 (US) per ounce in 2006 compared to $433 (US) per ounce in 2005, due to higher spot prices.

Kumtor's production for the year was 304,000 ounces compared to 501,000 ounces in 2005. This decrease was primarily due to the pit wall movement that occurred in July 2006 and a lower mill head grade that averaged 2.3 g/t in the period compared to 3.4 g/t in 2005.

Production at Boroo was 283,000 ounces for the year compared to 286,000 ounces in 2005. The average head grade of ore fed to the mill was 4.3 g/t compared to 4.2 g/t in the same period last year.

The gross profit margin for gold declined to 24% in 2006 compared to 26% in 2005 due to the higher cost of labour and consumables, lower head grade at Kumtor and lower recoveries at Kumtor and Boroo. Partially offsetting the increase in cost of sales was significantly higher realized gold prices and lower depreciation, depletion, amortization and accretion expense.

Gold Outlook for 2007

Overall, 2007 production, on a 100% basis, is expected to total between 700,000 to 720,000 ounces of gold. At Kumtor, production for 2007 is expected to be about 450,000 to 460,000 ounces of gold. At Boroo, on a 100% basis, we expect production in the range of 250,000 to 260,000 ounces of gold in 2007. Gold revenue is expected to increase by about 20% in 2007 over 2006. This outlook for the gold business is based on the following key assumptions:

- Centerra's forecast production is achieved,
- spot gold price of $600 (US) per ounce, and
- a US/Canadian dollar spot exchange rate of $1.16.

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 2007, 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 $15 million (Cdn) and net earnings by about $8 million (Cdn).

Qualified Person

The disclosure in this MD&A of scientific and technical information regarding Centerra's gold properties, including reserve and resource estimates and the description of the geology, was prepared by or under the supervision of the following qualified person:

Ian Atkinson, a certified professional geologist, and employed by Centerra as vice-president exploration (Kumtor and Boroo). He is a qualified person for the purpose of National Instrument 43-101.

2006 FOURTH QUARTER CONSOLIDATED RESULTS

Financial Highlights ($ millions except per share amounts)	**Three months ended Dec 31**		**% Change**
	2006	**2005**	
Revenue [1]	**512**	522	(2)
Earnings from operations	**36**	59	(39)
Cash provided by operations [2]	**13**	91	(86)
Net earnings	**40**	83	(52)
Earnings per share (EPS) — basic ($)	**0.11**	0.24	(54)
EPS — diluted ($)	**0.11**	0.23	(52)
EPS — adjusted and diluted ($)	**0.11**	0.21	(48)
Adjusted net earnings [3]	**40**	76	(47)

1 In 2006, revenue from Bruce Power Limited Partnership (BPLP) was proportionately consolidated. In 2005, consolidated revenue included Cameco's proportionate share of BPLP revenue following the restructuring of the partnership as of October 31, 2005. Prior to that date, we accounted for BPLP using the equity accounting method.

2 After working capital changes.

3 Net earnings for 2006 have been adjusted to exclude a $73 million ($0.19 per share diluted) recovery of future income taxes related to reductions in federal and provincial income tax rates and adjusted to exclude a $29 million gain ($0.08 per share diluted) on sale of our interest in the Fort à la Corne joint venture. Net earnings for the quarter and year ended December 31, 2005 have been adjusted to exclude $69 million ($0.19 per share diluted) in net earnings related to the gain on sale of Energy Resources of Australia Ltd shares as well as $62 million ($0.17 per share diluted) in net loss related to the restructuring of the Bruce Power Limited Partnership. Adjusted net earnings is a non-GAAP measure used to provide a representative comparison of the financial results.

For the three months ended December 31, 2006, our net earnings were $40 million ($0.11 per share diluted), $43 million lower than the net earnings of $83 million ($0.23 per share diluted) recorded in 2005. The decrease was due to lower earnings in the electricity and gold businesses, and a $20 million (pre-tax) charge at Cigar Lake. As highlighted in our third quarter report, we are required to write down the value of assets lost in the Cigar Lake inflow. The write down results in a $15 million (pre-tax) charge in the fourth quarter of 2006. In addition, we expensed $5 million (pre-tax) in costs related to remediation activities at the project.

In the fourth quarter of 2006, our total costs for administration, exploration, interest and other were $62 million, $6 million higher than in the same period of 2005. Administration costs were $14 million higher due largely to increased costs of $4 million at Centerra Gold Inc (Cameco's 53% owned subsidiary), information systems and process enhancements ($3 million), Sarbanes Oxley compliance ($2 million), business development ($1 million) and higher workforce related costs ($1 million).

Exploration expenditures were $3 million lower, at $15 million, with uranium exploration expenditures down $2 million at $7 million (focused in Saskatchewan, Australia and Nunavut). Gold exploration expenditures at Centerra were down $1 million from the fourth quarter of 2005.

Interest and other charges declined by $5 million due to higher interest income on higher cash balances ($7 million) and foreign exchange gains ($3 million) partially offset by mark to market losses on foreign exchange contracts that are not designated as hedges ($5 million).

In the fourth quarter of 2006, we recorded a $9 million net recovery of income taxes. During the quarter, Centerra recorded $10 million in recoveries related mainly to losses at its Kumtor operation. The portion of our income taxable in Canada was relatively low in the quarter due to the Cigar Lake remediation charges and lower earnings from BPLP. Our tax rate varies from the Canadian statutory tax rate primarily due to differences between Canadian tax rates and rates applicable to subsidiaries in other countries.

Earnings from operations decreased to $36 million in the fourth quarter of 2006, from $59 million in the fourth quarter of 2005. The aggregate gross profit margin increased in the fourth quarter to 23% from 22% in 2005.

For more information on the fourth quarter of 2006, refer to Cameco's news release dated February 6, 2007.

2005-2006 QUARTERLY CONSOLIDATED FINANCIAL HIGHLIGHTS

Highlights ($ millions except per share amounts)	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	512	360	417	542	522	287	287	216
Net earnings	40	73	150	112	83	79	34	20
EPS — basic ($)	0.11	0.21	0.43	0.32	0.24	0.23	0.10	0.06
EPS — diluted ($)	0.11	0.20	0.40	0.30	0.23	0.22	0.10	0.06
EPS — adjusted & diluted ($)	0.11	0.12	0.21	0.30	0.21	0.22	0.10	0.06
Cash from operations	13	79	40	286	91	148	(45)	84

The following points are intended to assist the reader in analysing the trends in the quarterly financial highlights for 2006:

- Revenue of $512 million in the fourth quarter of 2006 was 42% higher than in the third quarter due to higher sales volumes and improved prices in the uranium and fuel services businesses. Revenue is driven by timing of deliveries in our uranium and fuel services businesses, and has tended to be higher in the fourth quarter. However in 2006, the deliveries were more heavily weighted in the first quarter of the year.
- Net earnings do not trend directly with revenue because past results 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 or costs were recorded. On November 1, 2005, Cameco moved to proportionate consolidation of BPLP's financial results. For 2006, we have included our share of revenue, expenses and cash flow from the Bruce B reactors. The adjustment in our accounting method for BPLP does not change the reporting of our net earnings.
- Cash from operations tends to fluctuate largely due to the timing of deliveries and product purchases in the uranium production and fuel services businesses.

2006 CONSOLIDATED RESULTS

Consolidated Earnings

Earnings

In 2006, Cameco recorded a non-cash recovery of $73 million of future income taxes related to reductions in federal and provincial income tax rates. Also in 2006, Cameco recorded a $29 million after-tax gain on the sale of our interest in the Fort à la Corne joint venture. Consolidated earnings in the following discussion are adjusted to exclude these items for period-to-period comparisons of the financial results. Adjusted net earnings is a non-GAAP measure that should be considered supplemental in nature and not a substitute for related financial information prepared in accordance with GAAP.

For 2006, our net earnings were $376 million ($1.02 per share diluted). Our adjusted net earnings were $274 million ($0.75 per share diluted and adjusted), $66 million higher than the adjusted net earnings of $208 million ($0.58 per share diluted) recorded in 2005 due to improved results in the uranium and gold businesses. These improvements were partially offset by lower earnings from BPLP, charges related to the Cigar Lake water inflow and higher administration expenses.

The improvement in the uranium business was due to a higher realized price, the result of both the significant increase in the spot price for uranium and higher realized prices under fixed-price contracts. In the gold business, an increase in the realized price more than offset the impact of reduced production caused by the movement of the pit wall at Kumtor. In 2006, our earnings from BPLP declined in comparison to 2005 due to a 32% decrease in the average Ontario electricity spot price.

Earnings from operations increased to $335 million in 2006 from $121 million in 2005. The aggregate gross profit margin increased in 2006 to 28% from 23% in 2005 due to higher realized prices for uranium and gold.

Corporate Expenses

ADMINISTRATION

In 2006, administration costs were $143 million, an increase of $33 million due largely to an $11 million increase in costs at Centerra, related to stock-based compensation and business development. In addition, Cameco recorded increased expenses for stock compensation primarily attributable to increased share prices ($4 million) and incurred higher charges for Sarbanes-Oxley compliance ($7 million), business process enhancements ($5 million) and higher workforce related costs ($4 million).

INTEREST AND OTHER

In 2006, interest and other costs declined by $16 million compared to 2005 due primarily to higher interest income on cash balances ($22 million) partially offset by higher gross interest costs ($5 million) related mainly to the proportionate consolidation of BPLP. Refer to note 13 in the notes to the financial statements.

INCOME TAXES

In 2006, we recorded a net tax recovery of $69 million compared to an expense of $30 million for 2005.

In 2006, the government of Saskatchewan amended the provincial income tax laws to provide for a 5% reduction in the general corporate income tax rate. The provincial tax rate is declining from 17% to 12% over a three-year period commencing July 1, 2006. Also in 2006, the federal government introduced amendments to the Canadian Income Tax Act that provide for a 2% reduction in the general corporate

income tax rate. The federal tax rate will decline from its previous level of 21% to 19% over a three-year period commencing in 2008. Amendments were also introduced to eliminate the corporate surtax, which effectively will decrease the federal income tax rate by 1%, starting in 2008.

Under Canadian accounting rules, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantive enactment. Accordingly, Cameco reduced its balance sheet provision for future income taxes and recognized a non-cash income tax adjustment of $73 million ($0.19 per share diluted) in 2006.

In addition, confirmation was received with respect to the deductibility of the Saskatchewan provincial resource surcharge for the years prior to 2001. As a result, a $17 million reduction of future taxes was recorded.

Our effective tax rate decreased to 6% in 2006 from 20% in 2005 due to a lower proportion of total income being taxable in Canada. The effective rate for 2006 excludes the $73 million recovery related to the change in tax rates and the $17 million recovery due to the deductibility of the resource surcharges. The effective rate for 2005 is based on adjusted net earnings and also excludes $10 million in recoveries related to the deductibility of the resource surcharges.

Income tax expense also includes capital taxes of approximately $2 million and $6 million in 2006 and 2005 respectively. The amount reported in 2005 also included large corporations tax which was eliminated effective January 1, 2006. Refer to note 16 in the notes to the financial statements.

Cash Resources

Operating Activities

In 2006, Cameco generated record cash from operations of $418 million compared to the previous record of $278 million in 2005. The increase of $140 million reflects higher revenue compared to 2005 and the proportionate consolidation of BPLP results in 2006.

Investing Activities

In 2006, Cameco used $527 million in its investing activities, an increase of $548 million compared to the prior year when the investing activities generated positive cash flow of $21 million. In 2005, Cameco collected $302 million as a result of the restructuring of BPLP ($200 million) and the sale of its shares in ERA ($102 million). Excluding these inflows, the net increase in cash used in investing activities in 2006 over 2005 was $247 million and was largely attributable to the acquisition of Zircatec ($84 million), higher development charges at Cigar Lake ($37 million) and Inkai ($19 million) as well as greater capital expenditures by Centerra ($81 million).

For 2006, investing activities included $29 million for sustaining capital at McArthur River/Key Lake, $120 million in development costs at Cigar Lake and $31 million in capitalized interest charges.

Financing Activities

In 2006, Cameco used $182 million in its financing activities. In January 2006, Cameco redeemed $150 million in debentures. In 2006, the company paid a record total of $53 million in dividends, up from $40 million in 2005.

Balance Sheet

CASH

At December 31, 2006, our consolidated cash balance totalled $334 million with Centerra holding about $217 million of this amount.

INVENTORIES

Compared to the end of 2005, our product inventories increased by $17 million to $416 million. The increase in the inventory value was attributable to higher unit costs due primarily to higher unit costs for uranium, which were largely offset by a 20% decline in the quantity of uranium inventory. The average cost of our uranium and conversion services has risen due primarily to an increase in the cost of purchased material. Refer to note 4 in the notes to the financial statements.

DEBT

At December 31, 2006, our total debt was $705 million, representing a decrease of $154 million compared to December 31, 2005. Included in the December 31, 2006 balance was $198 million, which represents our proportionate share of BPLP's capital lease obligation. At December 31, 2006, our consolidated net debt to capitalization ratio was 12%, up from 9% at the end of 2005. In 2006, we used cash on hand to redeem a total of $150 million in debentures. Refer to note 7 in the notes to the financial statements.

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.

	Book Value	Market Value[1]	
Investment ($ millions)	**Dec 31/06**	**Dec 31/06**	**Dec. 31/05**
Centerra Gold Inc.	$ 443	$ 1,504	$ 1,069
UEX Corporation	19	220	167
UNOR Inc.	9	14	—
Total	**$ 471**	**$ 1,738**	**$ 1,236**

1 Market value is calculated as the number of shares outstanding multiplied by the closing share price as quoted on the TSX on December 31, 2005 and December 31, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, Cameco enters into certain transactions which are not required to be recorded on its balance sheet. These activities include the issuing of financial assurances, derivative instruments and long-term product purchase contracts. These arrangements are discussed in the following sections of this MD&A and the notes to the financial statements:

- Financial Assurances:
  - Nuclear Electricity Business,
  - Liquidity and Capital Resources,
  - Risks and Risk Management and
  - Notes 7, 8, 19 and 25 of the Consolidated Financial Statements.
- Derivative Instruments:
  - Uranium Business,

    - Risks and Risk Management,
    - Critical Accounting Estimates and
    - Note 25 of the Consolidated Financial Statements.
- Long-term Product Purchase Contracts
    - Uranium Business,
    - Liquidity and Capital Resources and
    - Note 24 of the Consolidated Financial Statements.

CONSOLIDATED OUTLOOK FOR 2007

In 2007, Cameco expects consolidated revenue to grow by about 25% over 2006 due to higher revenue from uranium and fuel services. In the uranium business, we expect revenue to increase by approximately 45% due to stronger average realized prices under our contracts relative to 2006. This projection for the uranium business does not include all the expected adjustments for the Cigar Lake water inflow incident as they are being finalized and assumes that the product loan arrangements in place remain unchanged. We may consider terminating a portion or all of the product loans. Excluding the impact of any deferrals related to the product loans, we anticipate uranium revenue to increase by about 50% in 2007 primarily due to higher realized prices.

We also anticipate that revenue from the fuel services business will be about 20% higher than in 2006 due to an anticipated 10% increase in deliveries and an increase in the average realized selling price.

For 2007, we anticipate BPLP revenue to be 18% higher than in 2006, almost entirely due to higher expected realized prices. This outlook for BPLP assumes the B units will achieve a targeted capacity factor in the low 90% range.

In 2007, we expect gold production (100% basis) to increase to 700,000 to 720,000 ounces from 587,000 ounces in 2006. Gold revenue is expected to increase by about 20% in 2007 over 2006.

The financial outlook noted above for the company is based on the following key assumptions:

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

Administration costs are projected to be about 10% greater than in 2006. The increase reflects higher charges for operations related regulatory compliance, business development and costs to maintain the workforce. Exploration costs are expected to be about $72 million in 2007. Of this, $45 million is targeted for uranium, a 41% increase over 2006.

For 2007, the effective tax rate is expected to be in the range of 15% to 20%. Our expected tax rate varies from the Canadian statutory tax rate primarily due to differences between Canadian tax rates and rates applicable to subsidiaries in other countries. This range is based on the projected distribution of income among the various tax jurisdictions being weighted less heavily toward foreign subsidiaries compared to 2006.

In 2007, we expect total capital expenditures, including the gold business, to increase by 25% to $577 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. For growth projects, total expenditures are projected to be $256 million.

We expect sustaining capital expenditures to be higher in 2007 than in 2006 due to revitalization programs at Key Lake and Rabbit Lake, and well field expansions at the US ISL operations. Sustaining capital expenditures will also increase at fuel services to improve production processes and meet new regulatory requirements.

Capital Expenditures

(Cameco's share in $ millions)	**2007 Plan**	**2006 Actual**
Growth Capital		
McArthur River	—	$ 9
US ISL	2	1
Cigar Lake	74	120
Fuel Services	19	—
Inkai	62	37
Gold[1]	99	94
Total Growth	**$ 256**	**$ 261**
Sustaining Capital		
McArthur River/Key Lake	$ 78	$ 29
US ISL	33	23
Rabbit Lake	63	24
Fuel Services	37	18
Bruce Power (BPLP)	33	33
Gold[1]	28	27
Other	14	14
Total Sustaining	**$ 286**	**$ 168**
Capitalized interest	35	31
Total	**$ 577**	**$ 460**

1 Represents 100% of Centerra's expenditures.

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 2006, Cameco arranged for standby product loan facilities with two Cameco customers that allow Cameco to borrow up to 5,560,000 pounds U_3O_8 equivalent over the period 2006 to 2008, with repayment in 2008 and 2009. Cameco also extended its revolving credit facility by one year to be available until November 30, 2011.

Liquidity Indicators

	2006	2005	2004	2003	2002
Cash provided by operations ($ millions)	**418**	278	228	250	241
Cash provided by operations/net debt[1] (%)	**113**	118	69	48	66
Net debt*/total capitalization (%)	**12**	9	13	22	18

1 Total debt less cash and cash equivalents based on consolidated amounts.

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 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, 2006, the consolidated cash balance totalled $334 million with Centerra holding about $217 million of this amount for its own use.

Credit Ratings

The following table provides Cameco's third party ratings for our commercial paper, senior debt and convertible debentures, as of December 31, 2006:

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

1 A-1 (low) is the Canadian National Scale Rating while the Global Scale Rating is A-2.

Debt

In addition to cash from operations, debt is used to provide liquidity. Cameco has sufficient borrowing capacity to meet its current requirements with access to about $750 million in unsecured lines of credit.

Commercial lenders have provided a $500 million five-year unsecured revolving credit facility, available until November 30, 2011. Upon mutual agreement the facility can be extended for an additional year. In addition to direct borrowings under the facility, up to $100 million can be used for the issuance of letters of credit and, to the extent necessary, up to $400 million may be allocated to provide liquidity support for the company's commercial paper program. The facility ranks equally with all of Cameco's other senior debt. At December 31, 2006, there were no amounts outstanding under this credit facility.

Cameco may borrow directly from investors by issuing up to $400 million in commercial paper. At December 31, 2006, there were no amounts outstanding under the commercial paper program.

Various financial institutions have entered into agreements to provide Cameco up to approximately $250 million in short-term borrowing and letters 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. At December 31, 2006, outstanding letters of credit amounted to $213 million under these facilities. Cameco has established separate letter of credit facilities to support standby product loan facilities, as described below.

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 in 2006.

Product Loan Facilities
Cameco has arranged for standby product loan facilities with two of its customers. The arrangements, which were finalized in June and July of 2006, allow Cameco to borrow up to 5.6 million pounds U_3O_8 equivalent over the period 2006 to 2008 with repayment in 2008 and 2009. Of this material, up to 1.4 million kgU can be borrowed in the form of UF_6. Under the loan facilities, standby fees of 0.5% to 2.25% are payable based on the market value of the facilities, and interest is payable on the market value of any amounts drawn at rates ranging from 4.0% to 5.0%. Any borrowings will be secured by letters of credit and are repayable in kind.

Revenue from future deliveries to these counterparties (up to the limit of the loan facilities) will be deferred until the loan arrangements have been terminated, or if drawn upon, when the loans are repaid and that portion of the facility is terminated.

The market value of the facilities is based on the quoted market price of the products at December 31, 2006 and was approximately $416 million (US). As at December 31, 2006, the company did not have any loan amounts outstanding under the facilities.

Cameco has established $300 million (US) of letter of credit facilities maturing in 2010 to support these standby product loan facilities. At December 31, 2006, there were no amounts outstanding under these letter of credit facilities.

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.

Convertible Debentures
Cameco has $230 million outstanding in convertible debentures. The debentures bear interest at 5% per annum, mature on October 1, 2013, and at the holder's option are convertible into common shares of Cameco. The debentures are redeemable by the company beginning October 1, 2008 at a redemption price of par plus accrued interest. Refer to note 7 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,

2006, Cameco met these financial covenants and does not expect its operating and investment activities in 2007 to be constrained by them.

Contractual Cash Obligations

As at December 31, 2006 ($ million)	Total	Due in Less Than 1 Year	Due in 1 — 3 Years	Due in 4 — 5 Years	Due After 5 Yrs
Long-term debt [1]	**727**	8	19	25	675
Interest on long-term debt	**207**	26	51	51	79
Other liabilities	**373**	11	11	1	350
Unconditional product purchase obligations [2,3]	**1,171**	202	308	281	380
Total contractual cash obligations	**2,478**	247	389	358	1,484

1 Includes the amortized value of the conversion option associated with the convertible debentures. Refer to note 7 in the notes to the consolidated financial statements.

2 Denominated in US dollars. Converted to Canadian dollars at the December 31, 2006 rate of $1.1653.

3 Virtually all of Cameco's product purchase obligations are under long-term, fixed-price arrangements.

Commercial Commitments

Commercial commitments at December 31, 2006 decreased to $297 million from $463 million at December 31, 2005. Our obligations to provide financial guarantees supporting BPLP decreased by $100 million, Kumtor Gold Company purchase commitments decreased by $72 million and standby letters of credit increased by $6 million to the end. At December 31, 2006, commercial commitments included standby letters of credit of $213 million and financial guarantees for BPLP of $84 million.

As at December 31, 2006 ($ millions)	Total amounts committed
Standby letters of credit [1]	**213**
BPLP guarantees [2]	**84**
Total commercial commitments	**297**

1 The standby letters of credit maturing in 2007 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, 2006, Cameco's total commitment for financial assurances given on behalf of BPLP was estimated to be $84 million. Refer to note 19 in the notes to consolidated financial statements.

2004-2006 CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Years Ended December 31 ($ millions except per share amounts)	2006	2005	2004
Revenue	**1,832**	1,313	1,048
Earnings from operations	**335**	121	123
Net earnings	**376**	215	277
— per common share (basic)	**1.07**	0.62	0.81
— per common share (diluted)	**1.02**	0.60	0.77
Adjusted net earnings [1]	**274**	208	183
Cash provided by operations	**418**	278	228
Total assets	**5,140**	4,773	4,052
Long-term financial liabilities	**1,582**	1,687	1,306
Dividends per common share	**$ 0.20**	$ 0.12	$ 0.10

1 Net earnings for 2006 have been adjusted to exclude a $73 million ($0.19 per share diluted) recovery of future income taxes related to reductions in federal and provincial income tax rates and adjusted to exclude a $29 million gain ($0.08 per share diluted) on sale of our interest in the Fort à la Corne joint venture. Net earnings for 2005 have been adjusted to exclude $69 million ($0.19 per share diluted) in net earnings related to the gain on sale of Energy Resources of Australia Ltd shares as well as $62 million ($0.17 per share diluted) in net loss related to the restructuring of the Bruce Power Limited Partnership. Adjusted net earnings is a non-GAAP measure used to provide a representative comparison of the financial results.

The following points are intended to assist the reader in analyzing the trends in the annual financial highlights for the years 2004 through 2006.

- Revenue has trended higher over the three-year period, rising by 75% over 2004 to a record $1,832 million in 2006. Approximately half of this increase was related to the electricity business where the restructuring undertaken late in 2005 required a change in accounting, from equity method to proportionate consolidation. In 2006, we reported electricity revenues of $408 million.
- Revenue has also been influenced by improved prices in the uranium and gold businesses. Our realized price for uranium concentrates has increased consistently over the three-year period, averaging $24.72 (Cdn) per pound in 2006 compared to $17.97 (Cdn) per pound for 2004, a 38% improvement. We have also seen consistent improvement in the price for gold, where our average realized price has risen by 50% during the period due to higher spot prices. In addition, revenues in our fuel services business have risen by 55% due to increased volumes and realized prices as well as the acquisition of Zircatec in early 2006.
- 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 for the investment in Bruce Power and therefore no revenue was recorded prior to that time. Second, our earnings have been influenced by unusual, one-time items

over the past three years. In 2004, we recorded a gain of $94 million (after tax) on the restructuring of our gold business. In 2005, there were two unusual 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. In 2006, we recorded income tax recoveries of $73 million as the result of changes in tax legislation and we recognized a gain of $29 million (after tax) on the sale of our interest in the Fort à la Corne joint venture.

- Excluding the adjustments noted above, net earnings have increased by 50% in 2006 over the $183 million recorded in 2004. The 14% increase to $208 million in 2005 from 2004 was attributable to improved results in the uranium business as well as stronger performance at BPLP. 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 BPLP benefited from a 23% increase in realized price due to higher spot prices in Ontario. The improvement in net earnings from 2005 to 2006 was due largely to improved results in our uranium and gold businesses. The higher earnings were partially offset by reduced earnings from BPLP as well as higher charges for administration and the recognition of remediation costs at Cigar Lake. 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 gold business also benefited from higher realized prices with the spot price averaging $602 (US) per ounce in 2006, an increase of 35% over 2005. The earnings from BPLP declined due to a $10 per MWh (17%) decrease in the average realized price to $48.00 per MWh as a result of lower electricity spot prices.
- In 2006, Cameco generated record cash from operations of $418 million compared to $278 million in 2005. This increase of $140 million was mainly attributable to higher revenues and the proportionate consolidation of BPLP results in 2006. Cash from operations of $278 million in 2005 represented an increase of $50 million compared to the $228 million recorded in 2004. This increase was mainly due to higher revenues in the uranium and gold businesses compared to 2004.
- The major components of Cameco's long-term financial liabilities are long-term debt, future income taxes and the provision for reclamation. In 2006, Cameco's total long-term financial liabilities declined to $1,582 million from $1,687 million at the end of 2005 due to a $154 million decrease in long-term debt, and a $133 million reduction in future income taxes due largely to changes in Canadian tax rates. These reductions were partially offset by an increase in other liabilities related to revenue deferrals under our product loan arrangements and higher liabilities for reclamation at our fuel services facilities in Ontario.
- At the end of 2006, Cameco's total assets amounted to $5,140 million, an increase of $367 million over the previous year. Most of the change was due to the increased investment in property, plant and equipment related to the acquisition of Zircatec and development expenditures for Cigar Lake, Inkai and gold.

OUTSTANDING SHARE DATA

At March 12, 2007, there were 352.4 million common shares and one Class B share outstanding. In addition, there were 7.3 million stock options outstanding with exercise prices ranging from $3.13 to $41.00 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.

RESERVES AND RESOURCES

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.

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, 2006 on a property basis and Cameco's share.

RESERVES	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
	(tonnes in thousands; pounds in millions)											
Cigar Lake	497.0	20.67	226.3	—	—	—	497.0	20.67	226.3	113.2	98.5%	UG
Crow Butte	901.6	0.33	6.5	—	—	—	901.6	0.33	6.5	6.5	85.0%	ISL
Gas Hills — Peach	—	—	—	6,851.0	0.13	19.7	6,851.0	0.13	19.7	19.7	65.0%	ISL
Highland	278.5	0.13	0.8	935.1	0.13	2.7	1,213.6	0.13	3.5	3.5	80.0%	ISL
Inkai	22,694.0	0.07	35.4	63,727.0	0.06	79.0	86,421.0	0.06	114.4	68.6	80.0%	ISL
Key Lake	61.9	0.52	0.7	—	—	—	61.9	0.52	0.7	0.7	98.7%	OP
McArthur River	530.2	17.49	204.5	280.0	26.33	162.5	810.2	20.55	367.0	256.2	98.7%	UG
North Butte/ Brown Ranch	—	—	—	3,874.6	0.10	8.5	3,874.6	0.10	8.5	8.5	80.0%	ISL
Rabbit Lake	40.0	1.15	1.0	696.5	1.18	18.1	736.5	1.18	19.1	19.1	96.7%	UG
Ruby Ranch	—	—	—	2,832.2	0.09	5.5	2,832.2	0.09	5.5	5.5	80.0%	ISL
Ruth	—	—	—	853.7	0.09	1.7	853.7	0.09	1.7	1.7	80.0%	ISL
Smith Ranch	676.9	0.10	1.5	3,143.1	0.12	8.3	3,820.0	0.12	9.8	9.8	80.0%	ISL
Total	25,680.1	—	476.7	83,193.2	—	306.0	108,873.3	—	782.7	513.0	—	—

Notes:

1 Cameco reports reserves and resources separately.

2 Cigar Lake reserves are current as at March 16, 2007.

3 Mill recovery factors must be applied in order to obtain the expected amounts of recovered pounds U_3O_8.

4 Mineral Reserves incorporate allowances for dilution and mining losses.

5 Mining Method: OP — Open Pit; UG — Underground; ISL — In situ leaching.

6 Reserves are estimated using current geological models and current and/or projected operating costs and mine plans. Cameco's normal data verification procedures have been employed in connection with the reserve estimations for each property, unless otherwise set out in this MD&A.

7 For the purpose of estimating mineral reserves in accordance with NI 43-101, a uranium price of $38.50 (US)/lb U_3O_8 was used. For the purpose of estimating mineral reserves in accordance with US Securities Commission Industry Guide 7, a uranium price of $32.30 (US)/lb U_3O_8 was used. Estimated mineral reserves are identical at either price.

8 The key economic parameters underlying the mineral reserves include an exchange rate of $0.91 US=$1.00 Cdn.

9 Except as otherwise set out in this MD&A, environmental, permitting, legal, title, taxation, socio-political, marketing or other issues are not expected to materially affect the above estimates of mineral reserves.

10 Totals may not add up due to rounding.

In addition to the above reserves, Cameco has contractually committed supplies, including supplies under the HEU Commercial Agreement, of approximately 51 million pounds of uranium from January 1, 2007 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, 2006 on a property basis and Cameco's share.

RESOURCES	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
	(tonnes in thousands; pounds in millions)										
Cigar Lake	—	—	—	61.2	4.86	6.6	61.2	4.86	6.6	3.3	UG
Crow Butte	64.5	0.23	0.3	1,475.8	0.25	8.1	1,540.3	0.25	8.4	8.4	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	0.08	3.3	1,153.0	0.07	2.3	3,166.0	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	—	—	—	11,042.0	0.06	14.2	11,042.0	0.06	14.2	8.5	ISL
McArthur River	75.0	8.51	14.1	39.8	8.37	7.4	114.8	8.49	21.5	15.0	UG
Millennium	—	—	—	446.0	3.81	37.5	446.0	3.81	37.5	15.7	UG
North Butte/ Brown Ranch	1,008.8	0.08	1.9	3,923.6	0.07	6.3	4,932.4	0.07	8.2	8.2	ISL
Northwest Unit	—	—	—	4,000.7	0.03	2.3	4,000.7	0.03	2.3	2.3	ISL
Rabbit Lake	—	—	—	180.4	0.54	2.2	180.4	0.54	2.2	2.2	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	0.17	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	7,392.8	—	27.0	32,237.3	—	116.3	39,630.1	—	143.3	100.5	—

Notes:

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

2 Cigar Lake resources are current as at March 16, 2007.

3 Mining Method: OP — Open Pit; UG — Underground; ISL — In situ leaching.

4 Resources are estimated using current geological models. Cameco's normal data verification procedures have been employed in connection with the resource estimations for each property, unless otherwise set out in this MD&A.

5 Totals may not add up due to rounding.

6 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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 pre-feasibility 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, 2006 on a property basis and Cameco's share.

INFERRED RESOURCES
(100% basis)

PROPERTY	Tonnes	Grade % U_3O_8	Content (lbs U_3O_8)	Cameco's Share (lbs U_3O_8)	Mining Method
	(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
Dawn Lake	—	—	—	—	—
Gas Hills-Peach	656.8	0.05	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	217.0	2.03	9.7	4.1	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	312.2	0.59	4.0	4.0	UG
Reynolds Ranch	5,333.3	0.04	4.9	4.9	ISL
Ruby Ranch	60.8	0.14	0.2	0.2	ISL
Ruth	210.5	0.08	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	267,348.7	—	516.6	316.1	—

Notes:

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

2 Cigar Lake inferred resources are current as at March 16, 2007.

3 Mining Method: OP — Open Pit; UG — Underground; ISL — In situ leaching.

4 Resources are estimated using current geological models. Cameco's normal data verification procedures have been employed in connection with the resource estimations for each property, unless otherwise set out in this MD&A.

5 Totals may not add up due to rounding.

6 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

7 Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category.

Uranium Reserves Reconciliation

The following reconciliation of Cameco's share of uranium reserves reflects the changes in reserves during 2006. The 2006 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, change in mining plans, re-estimation and reclassification.

There were only modest changes in reserves in 2006 as outlined in the table below. The more noteworthy of these changes are:

- At McArthur River, 19 million pounds were upgraded from probable reserves to proven reserves following a review of the mining plan for a portion of zone 2.
- At Rabbit Lake, 13.5 million pounds of reserves were added as a result of underground drilling and increased confidence in the geological interpretation.
- At Cigar Lake, 2.6 million pounds of probable reserves were converted to indicated resources following a revision of the cut-off grade.

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

	December 31, 2005	2006 Throughput [1]	2006 Addition (Deletion)[2]	December 31, 2006
Reserves — Proven				
Cigar Lake	113,222	0	—	113,222
Crow Butte	6,815	(897)	597	6,515
Highland	1,807	(1,169)	144	782
Inkai	21,211	0	—	21,211
Key Lake	590	0	—	590
McArthur River	136,323	(12,799)	19,226	142,750
Rabbit Lake	3,127	(1,405)	(711)	1,011
Smith Ranch	2,845	(1,390)	3	1,458
Total Proven Reserves	285,940	(17,660)	19,259	287,539
Reserves — Probable				
Cigar Lake	2,625	0	(2,625)	0
Crow Butte	1,013	0	(1,013)	0
Gas Hills — Peach	19,684	0	—	19,684
Highland	2,663	0	—	2,663
Inkai	47,412	0	—	47,412
McArthur River	135,258	0	(21,816)	113,442
North Butte/Brown Ranch	8,524	0	—	8,524
Rabbit Lake	7,863	(4,000)	14,241	18,104
Ruby Ranch	5,462	0	—	5,462
Ruth	1,689	0	—	1,689
Smith Ranch	8,317	0	—	8,317
Total Probable Reserves	240,510	(4,000)	(11,213)	225,297
Total Reserves	526,450	(21,660)	8,046	512,836

Notes:

1 Corresponds to millfeed. The discrepancy between the 2006 mill feed and Cameco's share of 2006 pounds U_3O_8 produced is due to mill recovery, mill inventory and the processing of low-grade material.

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

Uranium Resources Reconciliation

The following reconciliation of Cameco's share of uranium resources reflects the changes in resources during 2006. The 2006 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 2006 as outlined in the table below. The more noteworthy of these changes are:

- At McArthur River, measured resources increased by 3.4 million pounds due to reclassification.
- At Rabbit Lake, 5.3 million pounds of resources were converted to reserves.
- At Millennium, resources decreased as a result of additional drilling.
- At Cigar Lake, the increase in resources is due to a change in the cut-off.

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

	December 31, 2005	Addition (Deletion)[1] 2006	December 31, 2006
Resources — Measured			
Crow Butte	0	322	322
Gas Hills — Peach	3,346	—	3,346
Highland	1,663	—	1,663
McArthur River	6,427	3,400	9,827
Millenium	0	—	0
North Butte/Brown Ranch	1,857	—	1,857
Reynolds Ranch	4,493	—	4,493
Ruby Ranch	585	—	585
Ruth	216	—	216
Shirley Basin	304	—	304
Smith Ranch	138	—	138
Total Measured Resources	19,029	3,722	22,751
Resources-Indicated			
Cigar Lake	0	3,282	3,282
Crow Butte	8,100	—	8,100
Dawn Lake	7,436	—	7,436
Gas Hills — Peach	2,310	—	2,310
Highland	92	—	92
Inkai	8,521	(5)	8,516
McArthur River	5,136	—	5,136
Millennium	19,220	(3,483)	15,737
North Butte/Brown Ranch	6,303	—	6,303
Northwest Unit	2,341	—	2,341
Rabbit Lake	7,486	(5,322)	2,164
Reynolds Ranch	6,960	—	6,960
Ruby Ranch	143	—	143
Ruth	192	—	192
Shirley Basin	4,085	—	4,085
Smith Ranch	4,984	—	4,984
Total Indicated Resources	83,309	(5,528)	77,781
Total Measured & Indicated Resources	102,338	(1,806)	100,532

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

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

	December 31, 2005	2006 Addition (Deletion) [1]	December 31, 2006
Resources — Inferred			
Cigar Lake	59,105	—	59,105
Crow Butte	10,083	—	10,083
Gas Hills — Peach	845	—	845
Highland	1,977	—	1,977
Inkai	160,793	—	160,793
McArthur River	66,151	—	66,151
Millennium	4,700	(629)	4,071
North Butte/Brown Ranch	966	—	966
Northwest Unit	508	—	508
Rabbit Lake	3,701	332	4,033
Reynolds Ranch	4,912	—	4,912
Ruby Ranch	184	—	184
Ruth	365	—	365
Shirley Basin	1,132	—	1,132
Smith Ranch	896	—	896
Total Inferred Resources	316,318	(297)	316,021

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

QUALIFIED PERSONS

The disclosure in this MD&A of scientific and technical information regarding Cameco's uranium properties, including reserve and resource estimates and the description of the geology, was prepared and verified by or under the supervision of the following individuals, who are qualified persons for the purposes of National Instrument 43-101:

Qualified Persons	Properties
Doug Beattie, Chief Mine Engineer, Engineering and Projects, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco	Dawn Lake Key Lake Millennium Rabbit Lake
Cameron Chapman, Technical Superintendent, McArthur River, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Gary Haywood, General Manager, McArthur River, Cameco	McArthur River
Doug McIlveen, Cigar Lake Chief Geologist, Cameco Barry Schmitke, Cigar Lake General Manager, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Chuck Edwards, Director, Engineering and Projects, Cameco	Cigar Lake
Dave Crawford, Manager, Project Development, PRI Chuck Foldenauer, Smith-Ranch Highland Mine Manager, PRI Steve Lundsford, Sr. Evaluation Geologist, PRI	Crow Butte Gas Hills — Peach North Butte/Brown Ranch Northwest Unit Reynolds Ranch Ruby Ranch Ruth Shirley Basin Smith Ranch-Highland
Dave Crawford, Manager, Project Development, PRI Steve Magnuson, VP, Engineering & Development, PRI Alain G. Mainville, Director, Mineral Resources Management, Cameco	Inkai

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

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, including any significant changes, 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, periodically we are required to apply for licence renewals or seek amendments to existing licences for many of our uranium and fuel services operations and a failure to obtain these would have a significant impact on our operations.

McArthur River/Key Lake

In November 2004, we submitted an EA 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. Cameco has developed a three phase action plan that modifies the effluent treatment process to reduce concentrations of selenium and molybdenum discharged to the environment. At a commission level hearing in January 2007, the CNSC subsequently considered a proposed licence condition for the Key Lake mill to implement this plan and we expect their decision shortly. The first phase of the plan will be in place later in 2007.

Reducing the current level of these metals discharged to the environment is expected to help advance the EA to increase the annual licensed production limit at the McArthur River mine and Key Lake mill.

In addition to obtaining approval for the EA, we need to transition to new mining zones at McArthur River and to implement various mill process modifications at Key Lake in order to sustain increased production levels. Mine planning, development and freeze hole drilling for the McArthur River transition is ongoing. A revitalization pre-feasibility assessment for the Key Lake mill was initiated in October 2006. Revitalization of Key Lake will include upgrading circuits to new technology for simplified operation and increased production capacity.

If EA approval is received and we successfully make the transition to new mining areas as well as advance our mill revitalization program, 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 is the loss of potential sales revenue and earnings.

In 2006, we applied for licence renewals for all three fuel services facilities. Each of the existing five-year licences expires in early 2007. New five-year licences for all three sites were received on February 26, 2006.

Key Lake/Rabbit Lake Tailings Management Facilities
At the Key Lake mill, tailings are deposited in the Deilmann tailings management facility (TMF). Currently approved capacity of the Deilmann TMF is sufficient to operate at current production rates for approximately 10 years, assuming only minor storage capacity losses due to sloughing from the pit walls.

Cameco has initiated the necessary work to achieve regulatory approval for a final higher tailings elevation that will be sufficient to hold all tailings generated from processing of McArthur River reserves. This higher final tailings elevation was incorporated conceptually in the EA process which granted approval to develop the McArthur River mine, but the detailed technical analysis to support formal regulatory acceptance of the expansion has not yet been completed.

At Rabbit Lake, the existing approved tailings capacity at the Rabbit Lake TMF is sufficient to store tailings from the processing of Eagle Point ore until the end of 2010. Approval for a higher tailings elevation would be required to continue milling beyond that time.

Cigar Lake ore will be processed at Areva's McClean Lake mill into a uranium solution. Under the Rabbit Lake Toll Milling agreement, about 57% of the uranium solution will be shipped to the Rabbit Lake mill and further processed into U_3O_8. This process will generate tailings at Rabbit Lake. Although there was sufficient capacity for Cigar Lake tailings in the Rabbit Lake TMF when the Rabbit Lake toll-milling agreement was originally signed, unanticipated ongoing production from the Eagle Point mine has consumed some of the existing tailings capacity planned for Cigar Lake tailings. Cameco has determined that the Rabbit Lake TMF will require expansion and is working with the regulators to determine what regulatory approvals are required.

Failure to receive regulatory approval for TMF expansion at Key Lake and Rabbit Lake could constrain uranium production. The financial impact is the loss of uranium sales revenue and earnings.

Zircatec
Zircatec has signed an agreement covering all of the fuel manufacturing requirements for the Bruce B and A reactors until the initial term of the lease expires in 2018. Under the arrangement, Zircatec will manufacture UO_2 provided by Cameco into finished nuclear fuel bundles for the Bruce A and B units.

Bruce Power A Limited Partnership (BALP) is also pursuing the use of SEU as part of its refurbishment project for the two Bruce A units. Cameco is working with BALP, Zircatec and others in SEU development. Cameco expects BALP's use of SEU will not significantly reduce natural UO_2 conversion services sold to BALP.

We are planning to modify Zircatec's Port Hope plant to produce fuel bundles containing SEU, subject to reaching agreement with BALP. Zircatec has commenced the process to obtain regulatory approval from the CNSC to produce these fuel bundles. The CNSC carried out a new review of the licence application under

the Canadian Environmental Assessment Agency (CEAA) and concluded, contrary to a past decision, that a new screening level EA was required to support the licence amendment. The licence renewal hearings are proceeding on the basis of a renewal of the existing licence. We expect to apply for an amendment to the licence once the EA has been approved. The draft scope of the EA has been issued for public comment. This will be followed by the formal issuing of the scope and completion of the EA. The schedule for this process will be determined by the CNSC.

Blind River Refinery
At our refinery in Blind River, Ontario, we received CNSC approval of the EA for the addition of pollution abatement equipment to the incinerator in mid December 2006. This equipment is required to meet new Canadian standards for incinerator emissions that came into force in January 2007. The installation of the equipment has begun. The Blind River refinery needs an amendment to its operating licence in order to use this new equipment, which is subject to CNSC approval. We anticipate that the incinerator will be ready to commission late in the first quarter of 2007 and start receipt of material in the second quarter.

To support our agreement with SFL, we have also applied to expand the capacity of the Blind River refinery from 18 to 24 million kgU per year. The draft EA study report for the proposed increase in the Blind River licensed production was filed with the CNSC for review. 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 SFL facility. The combined production from the two facilities would be limited to between 15 million and 16 million kgU.

Cigar Lake
Cameco will be making the appropriate application for relicensing as the current Cigar Lake licence expires at the end of 2007.

Inkai
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 2008. Assuming that resources are converted to reserves this year, we would apply for a mining licence in 2007 for block 2. Commercial development of block 2 could start in 2008. Production from block 1 and 2 is expected to total 5.2 million pounds U_3O_8 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.

Other
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 reduce the concentrations of molybdenum and selenium in the effluent released from Cameco's Northern Saskatchewan operations. Currently, the CNSC has focused on an evaluation of the longer-term environmental impact in downstream receiving environments. For example, at the Key Lake mill, Cameco has proposed an action plan to further reduce selenium and molybdenum discharges in the mill effluent. In December 2006, we finalized this action plan in consultation with the CNSC. At a public hearing in January 2007, the CNSC considered a proposed licence condition for the Key Lake mill to implement this plan. We expect a CNSC decision later in the first quarter of 2007 and the first phase of the plan to be in place later in 2007. The cost of implementing this action plan is being estimated and will be disclosed when finalized. We have initiated plans to decrease these elements at our other Northern Saskatchewan operations.

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 fluoride from the UF_6 plant stack were reduced by about 60% from 2002 to 2006. This reduction was achieved 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 and 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 2007 through 2009, our five largest customers are anticipated to account for about 45% of our contracted supply of U_3O_8. For the period 2007 through 2009, our five largest UF_6 conversion customers are anticipated to account for approximately 35% 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 Inc., accounting for approximately 37% of the company's UO_2 sales in 2006. For 2006, one customer of Cameco's uranium and conversion services amounted to $64 million or 7% 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. Taking our legacy contracts into account, our current contract portfolio for uranium and conversion services has contract terms averaging about six 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 major producers from their contracting activities.

In 2006, we estimate world production was 103 million pounds U_3O_8. Seven producers including Cameco provided 80% of this production. Cameco accounted for about 20% of world production in 2006. World production for 2005 totalled 108 million pounds. The 5% decrease in production in 2006 from 2005 was due largely to a variety of operating difficulties experienced at a few large production centres.

There are four significant producers of UF_6 conversion services in the western world. Cameco manages almost 40% of the production capacity.

Zircatec
Sales to BPLP and BALP represent a significant portion 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.

Bruce Power (BPLP)
BPLP also relies on some major customers for its electricity sales. During 2005, electricity revenue from one customer of BPLP represented about 16% 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 15% 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 about 20 years of reserves at the current production level. At Rabbit Lake, the current reserves will sustain mill production until 2011. We are seeking to extend the mine life at both operations by conducting exploration drilling near the mine and have been successful in the past.

Cameco estimates production startup in 2010, ramping up to the company's share of full production of about 9 million pounds U_3O_8 in just over two years. As of March 16, 2007, Cameco's share of proven reserves at Cigar Lake was 113.2 million pounds. At a mill recovery rate of 98.5%, Cameco anticipates that its share of proven reserves will produce 111.5 million recoverable pounds of U_3O_8 over 14.8 years of production. Cigar Lake will produce less than Cameco's share of full production of 9 million pounds in the early and late years resulting in an average total recovery of 7.5 million pounds annually over the reserve life.

Inkai is expected to start commercial production in 2008. 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 2006, Inkai had 114 million pounds of proven and probable reserves. Cameco's share of production and reserves is 60%.

At Centerra's Kumtor gold mine, the existing reserves of the Kumtor mine, Sarytor Deposit and the Southwest Zone should support gold production activities in excess of seven years. Mill and heap leach production from Boroo over the next seven years is expected to include ore from the Boroo and Gatsuurt deposits. The combined Boroo and Gatsuurt reserves represent seven years of total operation.

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 upon, among other things, to a certain extent, geological and statistical inferences which may ultimately prove inaccurate.

The technical and scientific information discussed under this section, "Reserves Estimates", was prepared and verified by or under the supervision of the following individuals, who are qualified persons for the purposes of National Instrument 43-101:

- Kumtor and Boroo
    - Ian Atkinson, a certified professional geologist, and employed by Centerra as VP, Exploration.
- McArthur River:
    - Cameron Chapman, Technical Superintendent, McArthur River, Cameco,
    - Chuck Edwards, Director, Engineering and Projects, Cameco,
    - Alain G. Mainville, Director, Mineral Resources Management, and
    - Cameco Gary Haywood, Mine Manager, McArthur River, Cameco.

- Cigar Lake:
    - Doug McIlveen, Cigar Lake Chief Geologist, Cameco,
    - Barry Schmitke, Cigar Lake General Manager, Cameco,
    - Alain G. Mainville, Director, Mineral Resources Management, Cameco, and
    - Chuck Edwards, Director, Engineering and Projects, Cameco.

Labour Relations

Cameco has unionized employees at its McArthur River mine, Key Lake mill and Port Hope conversion and fuel manufacturing facilities. In November 2006, unionized employees at the McArthur River and Key Lake operations ratified a new four-year agreement that Cameco and the United Steelworkers of America (USW) had negotiated. The new collective agreement will expire December 31, 2009. The collective agreements covering the unionized employees at Zircatec and the Port Hope conversion facility expire on June 1, 2007 and June 30, 2007 respectively.

BPLP has 3,700 employees and most of them are unionized. The Power Workers' Union's, representing 2,500 employees, have signed a three year collective agreement. The agreement extends until December 31, 2009. 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 (TUC). Throughout 2006, Centerra and the TUC were in negotiations to extend the collective agreement. A new collective agreement was agreed to for a two-year period ending December 31, 2008. Despite a 5-day work stoppage, relationships between Centerra, the TUC and the workforce are positive. The primary issue during the negotiations was Centerra's compliance with a Parliamentary Decree that significantly increased wage rates for site based employees. Centerra believes that the Investment Agreement with The Kyrgyz Republic exempts Kumtor from the Decree. In the interests of maintaining good operations and relationships with the workforce, Centerra is complying with the Decree under protest and has submitted the issue to International Arbitration for resolution and recovery of the additional costs.

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

In addition, Cameco's sales of uranium product, conversion and fuel manufacturing services expose the company to the risk of non-payment. We manage 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, 2006, about 6% of Cameco's forecast revenue under contract, for the period 2007 to 2009, 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.

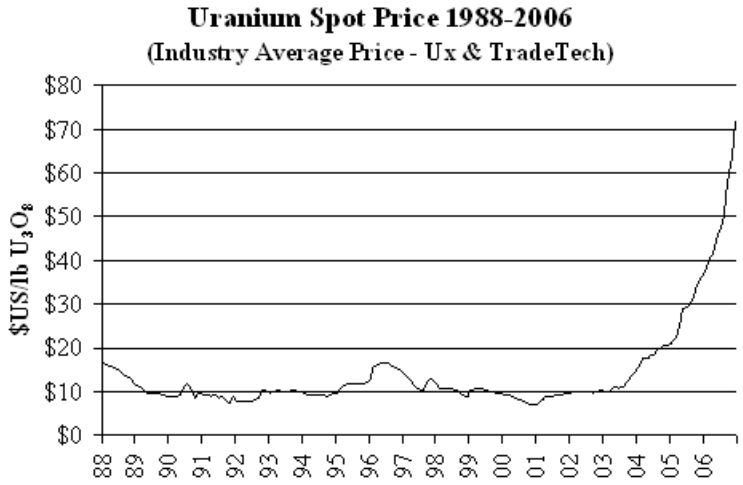
Market Risks

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.



Historically, deliveries under new contracts typically did not begin for one to three years after the contract was signed. 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 in 2007, see "Uranium Price Sensitivity 2007" in this MD&A.

Our contracting objective is to secure a solid base of earnings and cash flow to allow us to maintain our core asset base and pursue growth opportunities over the long-term. Our contracting strategy focuses on reducing the volatility in our future earnings and cash flow, while providing both protection against decreases in market price and retaining exposure to future market price increases. This is a balanced approach, which we believe delivers the best value to our shareholders over the long-term.

Our current portfolio reflects a 60/40 mix of market-related and fixed pricing (escalated by inflation) mechanisms. Currently, our contracting is more focused on market-related pricing. Consequently, we expect this ratio to change over time.

The overall strategy will continue to focus on achieving longer contract terms of up to 10 years or more, floor prices that provide downside protection, and retaining an adequate level of upside potential. In general, most new offers include price mechanisms with an 80% market-related and 20% fixed component. The fixed-price component generally is equal to or higher than the industry long-term price indicator at the time of offer and is adjusted by inflation. The market-related component will include a floor price (escalated by inflation).

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, BPLP reduces price volatility by committing sales under fixed price contracts. BPLP has 7 TWh sold under fixed-price contracts for 2007. This would represent about 25% 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 $4 million.

In addition, the BPLP 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, BPLP 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 currently 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 $602 (US) per ounce in 2006 compared to $444 (US) per ounce in 2005. For 2007, 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 $15 million (Cdn) and net earnings by about $8 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. At December 31, 2006 the Canadian/US dollar exchange rate was $1.17, unchanged from December 31, 2005. Over the course of the year, the exchange rate averaged $1.13 compared to an average rate of $1.21 in 2005.

We attempt to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. Hedging activities partly shelter our uranium and fuel services revenues

against declines in the US dollar in the shorter term. Cameco also has a natural hedge against US currency fluctuations as a portion of its annual cash outlays, including purchases of uranium and fuel services, is denominated in US dollars. 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 2006 provided an incremental $53 million in Canadian dollar revenue. After deducting carrying charges and income taxes, this resulted in an additional $36 million of net earnings.

For 2007, every one-cent increase/decrease in the US to Canadian dollar exchange rate would result in a corresponding increase/decrease in net earnings of about $6 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 analyzing 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, publish 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 2007 Index of Economic Freedom categorizes the Kyrgyz Republic as “Mostly Unfree,” with a rank of 79 out of 161 surveyed countries. Its overall score is three percentage points lower than last year, partially reflecting new quantitative methods used in the report. The Kyrgyz Republic is ranked 12th out of 30 countries in the Asia—Pacific region, and its overall score is equal to the regional average. 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, at the time the Kumtor restructuring closed, also

provides that, until June 22, 2009, Kyrgyzaltyn will maintain ownership of at least 5% of the outstanding common shares, 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 transferred to it by the president. These changes were made pursuant to constitutional referendums which were conducted in 2003.

The political situation in the Kyrgyz Republic continues to evolve. The Kyrgyz President has gained substantial constitutional powers through constitutional amendments introduced at the end of 2006. The government resigned on December 19, 2006. A new prime minister was appointed on February 1, 2007 and the new structure of the government has been approved by Parliament. Additionally, a Cabinet was formed. Centerra continues its efforts to establish a closer relationship with local communities to ensure broad-based regional support for its operations.

Kumtor's high profile in the Kyrgyz Republic continues to attract attention from government agencies and discussion by parliamentarians. In mid December, the mine department and some support services personnel had begun an illegal work stoppage at the Kumtor mine site. At the centre of the labour dispute was a Government amendment of the existing regulation with regard to the high altitude premium for the Kumtor mine site that had the effect of an increase in salaries for national employees. Centerra has taken the position that it is entitled under the stabilization provision of its Investment Agreement with the Government not to be subject to this amendment and, as previously disclosed, has therefore commenced international arbitration. In November, the Government had asked Centerra to postpone the arbitration and formed a special Government commission to review this issue. The day after the illegal work stoppage commenced, the Government commission instructed Centerra that it did not intend to change its position that the amendment applies to Kumtor and for Centerra to comply with its decision. In order to mitigate its losses and potential losses for the Kyrgyz Republic, Centerra made the decision to make the payments required by the amendment under protest and to immediately pursue damages in arbitration. As a result, the illegal work stoppage at the Kumtor Mine ended and operations returned to normal. Pending the final decision in arbitration, the increased labour costs of complying with the amendment will be about $7 million (US) in 2006.

Based on the long-term relationship between the Government of the Kyrgyz Republic and Cameco as original founders of Centerra, the newly appointed Prime Minister invited Cameco to conduct discussions regarding a number of issues concerning Kumtor. Cameco and Centerra are meeting with the new government to discuss these issues. The positive resolution of these issues would help to provide a stable and favourable operational environment for Kumtor and an improved investment climate in the Kyrgyz Republic. If the issues between Cameco and the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Cameco's investment in Centerra may increase significantly. We are uncertain if an agreement can be reached to resolve the issues with the Kyrgyz government.

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 operations and the consequences of the spill. Based on the inquiries of the State Committee, the Government issued a decree in September 2005, requesting that certain government agencies enter into negotiations with Kumtor Operating Company (KOC) and ask that KOC provide new funds to compensate local residents.

Throughout these negotiations Kumtor Gold Company's (KGC) position continued to be that the settlement agreement previously entered into with the Government in 1998 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 in December 2006, KGC agreed to make interest free advances of $4.4 million to the Government.

Pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn, KGC has advanced a total of $3 million with the final instalment of $1.4 million due in 2007. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. One half of the loan ($2.2 million) is repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn and the other half of the loan ($2.2 million) is forgivable if there is no event of default, pursuant to the Investment Agreement between KGC, Centerra and the Government of the Kyrgyz Republic.

Mongolia

The 2007 Index of Economic Freedom categorizes Mongolia as "Moderately Free." with a rank of 78 out of 161 surveyed countries. Its overall score is 3.1 percentage points lower than last year, partially reflecting the new quantitative methods used in the analysis. Mongolia is ranked 11th out of 30 countries in the Asia—Pacific region, and its overall score is slightly higher than the regional average.

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.

On July 8, 2006, the Mongolian parliament enacted a new Minerals Law, which became effective on August 26, 2006. The amendments introduced a new definition of strategic mineral deposits. Mineral deposits that have a potential impact on national security, economic and social development, or deposits that have a potential of producing above 5% of the country's GDP may be designated as deposits of strategic importance.

The amendments provide that the state may take up to a 50% interest in the exploitation of a mineral deposit of strategic importance where state funded exploration was used to determine proven reserves. The percentage of the state share would be determined by an agreement made with the license holder on exploitation of the deposit, considering the amount of investment made by the state.

Mongolia could also take up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where reserves were determined through funding sources other than the state budget.

Under the new Minerals Law, a company operating under the laws of Mongolia, holding a mining license for a mineral deposit of strategic importance, is required to sell no less than 10% of its shares through the Mongolian Stock Exchange.

The new Minerals Law contains a new single-rate royalty for all metals of 5%. This doubles the 2.5% rate that had applied to hard-rock gold.

The new Minerals Law also contemplates new investment agreements (formerly referred to as stability agreements) with respect to mineral properties. Agreements relating to investments in excess of $100 million (US) must be ratified by the Mongolian parliament. Investment agreements provide increased protection to investors making large, long-term commitments. Projects involving an investment of $50 to $100 million (US) will have 10-year terms; $100 to $300 million (US) projects will have 15-year terms; and projects involving more than $300 million (US) will have 30-year terms.

While it is still early to make a definitive assessment, the new Minerals Law appears likely to have a negative impact on the investment climate for the mining industry, especially foreign investors.

The new Government of Mongolia has imposed a windfall profits tax of 68% when gold reaches $500 (US) per ounce. The new windfall profits tax will not have an impact on Centerra's Boroo project, which is protected by a stability agreement with the Government of Mongolia. The stability agreement, which is in effect until July 2013, provides that Boroo is liable only for taxes at agreed rates in effect when the agreement was entered into.

The new law was passed by Mongolian parliament on May 14, 2006 with little advance warning and therefore took the industry by surprise. Since the passing of the law, Centerra, with both national and international investors, has strongly indicated its opposition to the proposed tax. Centerra will continue to advocate for the new tax to be repealed and for the adoption of tax and minerals laws that will encourage foreign investment in the minerals sector.

Centerra is continuing to analyse the impact of the law on the proposed development of the Gatsuurt project, which is not currently protected by a stability agreement. As previously announced, Centerra completed a feasibility study on the Gatsuurt deposit in late 2005. Current plans provide for the investment in Mongolia of about $75 million (US) over the next three years to develop the deposit, including the capital required to modify the existing Boroo facility to process Gatsuurt ore. As a result of the decision to impose a windfall profits tax, Centerra anticipates that it may suspend further development of the deposit until a stability agreement acceptable to Centerra has been signed.

Centerra continues its negotiations regarding its Boroo stability agreement and Gatsuurt investment agreement with the Mongolian Government amid strong nationalistic sentiment in the country. The Ministry of Finance has alleged certain tax-related violations by Centerra and notified it on January 15, 2007 that the Boroo stability agreement will be terminated unless the alleged violations are resolved within 120 days. Centerra has responded that in all cases it has either remedied the alleged violations or strongly disputes that a violation exists. On February 13, 2007, Centerra received a reply from the Minister of Finance reiterating the allegations. Centerra believes that this dispute will be resolved through negotiations with the government. The termination of the Stability Agreement, however, could result in the government taking up to a 50% interest in the project, subject the Centerra subsidiary to the new windfall profits tax and would subject it to generally applicable tax rates.

The Mongolian Parliament continues to debate the recent changes to mining legislation and the applicability of windfall profit tax as well as state participation in various mining projects. The government has acknowledged that the windfall tax will not apply to the Boroo project; however, it is reluctant to afford similar protection with respect to the windfall tax and other changes to Centerra's Gatsuurt project.
Centerra has a history of cooperative relations with the Mongolian government and believes that the strength of this relationship will facilitate discussion on an investment agreement for the Gatsuurt project.

To partially mitigate losses, Centerra continues to purchase political risk insurance.

Kazakhstan
The 2007 Index of Economic Freedom categorizes Kazakhstan as "Moderately Free." with a rank of 75 out of 161 surveyed countries. Its overall score is 0.8 percentage points lower than last year, partially reflecting the new quantitative methods used in the analysis. Kazakhstan is ranked 10th out of 30 countries in the Asia—Pacific region, and its overall score is slightly higher than the regional average. To mitigate risk at our Inkai project, we formed a strategic alliance, through a joint venture, with KazAtomProm, a state-owned entity of the 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 (but not wholesale) 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. We expect 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 51% of BPLP's output was sold under fixed-price contracts in 2006. 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.

In 2006, the Ontario Power Authority (OPA) held two power auctions and helped to facilitate a third to help promote liquidity in the Ontario electricity market. In the third auction, Natural Gas Exchange (NGX) took on overall responsibility and will continue to do so in the future. BPLP participated in all three auctions, selling 10.3 TWh at an average price of $74.07. The auctions represent one of a number of initiatives the OPA is co-ordinating to help develop the electricity market in Ontario.

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 6.2 TWh in 2006 down from the 11 TWh imported during 2005. The IESO is responsible for managing Ontario's bulk electricity system and operating the wholesale electricity market.

Although Ontario set a new all-time record for electricity demand of 27,005 MW on August 1, 2006, the province's total demand for electricity decreased slightly in 2006. Ontarians consumed a total of 151 TWh, a decrease of nearly 4% from 2005. The decrease was primarily due to moderate weather.

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 non-compliance 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 rockfall that resulted in a water inflow into the McArthur mine suspended mining for nearly three months. Similar difficulties could result in lower uranium production levels. (See Cameco's 2003 annual report for more information).

In October 2006, a rockfall causing a water inflow at Cigar Lake flooded the underground development. Cameco's share of additional capital costs to develop Cigar Lake, including mill modifications at Rabbit Lake and McClean Lake (where the uranium will be processed), is currently estimated at $274 million. Adding this new cost estimate to the $234 million that Cameco has already spent on Cigar Lake construction brings Cameco's share of total construction cost to develop the project to about $508 million.

In addition to capital costs, Cameco's share of remediation expenses are expected to total $46 million, of which $5 million was expensed in 2006. In 2007, Cameco anticipates its share of remediation costs will be $32 million, which will be expensed and reduce pre-tax earnings accordingly. In 2008, Cameco expects its pre-tax earnings to be reduced by $9 million of remediation expenses for Cigar Lake.

After construction is complete, Cameco estimates production startup in 2010, ramping up to the company's share of full production of about 9 million pounds in just over two years. This is subject to regulatory approval and the remediation being completed in a timely fashion.

The baseload contracts put in place to support the development of Cigar Lake also contain supply interruption language, which allows Cameco to reduce, defer or cancel deliveries in the event of any delay or shortfall in Cigar Lake production. Since the Cigar Lake water inflow, we have been in discussions with our customers to address the production delay at the mine and its possible effect on uranium deliveries. In the case of the Cigar Lake baseload contracts containing deliveries in 2007, we plan to defer the volumes to the end of the various contracts. For the remainder of the contracts that are impacted by the supply interruption language in 2007, we plan to defer the portion of deliveries impacted by this language for a five to seven-year period. The full impact to net earnings is currently not known**.**

Cameco has operational controls in place to reduce this risk including detailed procedural training for employees, equipment inspections and testing, weekly ground control inspections by our site engineers, and a program of quarterly rock mechanics reviews. The quarterly reviews include annual formal audits of ground control practices and geotechnical aspects of current and planned mining and a mid-year ground control review by our corporate rock mechanics engineer as well as third-party ground control inspections by engineering consultants twice per year, such that a third-party or corporate review takes place every quarter. This water inflow risk may not be fully insurable.

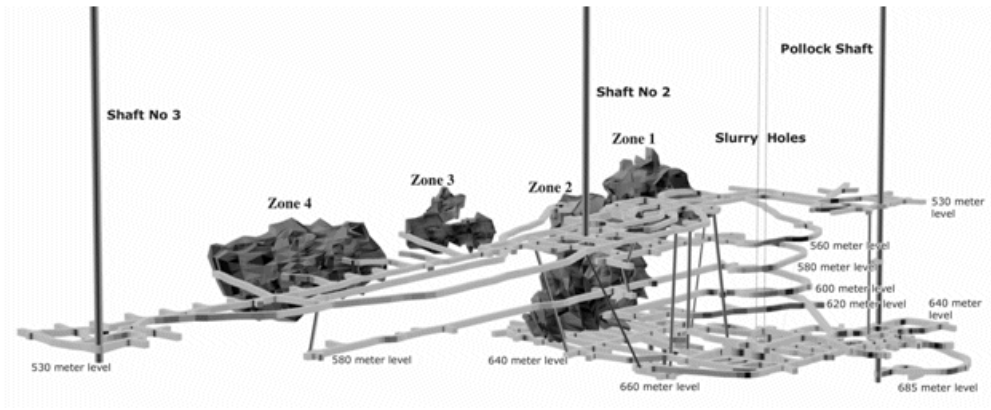
Jet Boring Mining Method

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 non-entry mining methods were conducted. A test mine program which ran three campaigns, 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 rampup 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.

Transition to New Mining Areas at McArthur River

We are currently mining in zone 2 (panels 1, 2, and 3) at the McArthur River mine and will continue to mine exclusively in zone 2 (panels 1, 2 and 3) through 2007 and 2008. In 2009, we will transition to panel 5 of zone 2 and bring lower zone 4 into operation. Zone 1 will also begin production in 2009. All production from these zones will continue to come from our mining method of raiseboring.



The McArthur River mine schematic above illustrates the location of the four ore zones.

All tunnels have been developed for zone 1 and we do not expect any technical issues. At zone 2 (panel 5) and lower zone 4, freeze hole drilling and tunnel construction commenced in 2006. Through much of 2006, freeze-hole drilling advanced at a slower than expected rate due to technical challenges with drilling through frozen ground, additional time required to address operational challenges such as improvements to the drill setups, and earlier staffing challenges associated with getting sufficient experienced drillers given the high levels of activity in the exploration diamond drilling industry. We have modified our freeze-hole drilling technique and equipment and have since achieved our scheduled target drilling rates. If progress on freeze-hole drilling and tunnel development is delayed, it would be difficult to expedite the process and future production from these zones would likely be postponed. We have good experience with freeze hole drilling and tunnel development and do not expect any significant further challenges or delays. Failure to successfully transition to new zones could delay production and could result in a loss of sales.

Boxhole Boring Mining Method

Work also progressed on the planning of a boxhole boring mining method, which we anticipate using for production from upper zone 4 beginning in 2012. Boxhole boring is used to excavate an orebody where there is limited or no access from above. The machine is set up on the lower level, and a raise is bored upward into the orebody. The ore and rock are carried by gravity down the hole, and are deflected away from the machine. Boxhole boring is a mining development technique used around the world; however it would be a first in uranium mining and as a production method. We have experience with boxhole boring as we have conducted trials and tested the boxhole method at Rabbit Lake and Cigar Lake.

Technical challenges associated with this mining method include reaming through frozen ground, raise stability (thawing from reaming and backfill), controlling raise deviation, reaming through backfilled raises and control of radiation exposure. Accordingly, we have scheduled a long lead-time for implementation to ensure the technical challenges are understood and prevented. Until Cameco has fully developed and tested the boxhole boring method at McArthur River, there is uncertainty in the estimated productivity. A dedicated “Mining Methods Development” team has been assembled at McArthur River to develop the boxhole method and capital equipment, including a boxhole raise drill that has already been ordered. We have confidence our engineers will be able to successfully implement this mining method at McArthur River. Failure to do so would delay production from this zone and could result in a loss of sales.

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.

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.

In July 2006, a pit wall ground movement occurred along the northeast wall at its Kumtor mine site. Kumtor’s extensive slope monitoring system was effective, enabling safe advance evacuation of the mining area. The movement occurred above the higher-grade stockwork area that was planned to be mined beginning late in 2006 and continuing into 2007. While the stockwork area was not covered, safety concerns identified by engineering analysis undertaken after the event required a new mining sequence, which deferred production from this area.

As a result, gold production for 2006 was reduced and total cash costs were higher. Gold reserves are not affected as a result of the rockslide as the wall movement lies entirely within the ultimate pit design.

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 2006, the total estimate was $313 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. At the end of 2006, Cameco's accounting provision for future reclamation costs totalled $228 million, which represents the present value of the $313 million mentioned above. See note 8 to the consolidated financial statements.

Cameco typically provides letters of credit (LOC) to provide financial assurances, where required, for decommissioning and reclamation costs.

Since 2001, all Cameco's North American operations have had 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.

Cameco's LOCs totalled $213 million at the end of 2006. As part of the upcoming licence renewals for our operations, we will be reassessing our decommissioning estimates which are expected to result in the need for additional LOCs.

Cameco currently has firm revised decommissioning estimates for our Port Hope, Blind River and Zircatec operations. These estimates have resulted in an increase of about $100 million over prior estimates and are reflected in the 2006 accounting provision for future reclamation costs.

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. Most of Cameco's uranium facilities are ISO 14001 certified or in the process of developing the program and obtaining 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 2006, we invested about $40 million for environmental monitoring, protection, assessment and safety and health programs. Inspections, assessments and audits are also designed to provide reasonable assurances of our performance to management. Contingency plans are in place for a timely response to an environmental event.

The capacity factor is directly related to the operating performance of BPLP'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. BPLP'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.

In 2006, estimated capacity for the four B units were expected to average in the low 90% range. The actual capacity factor for 2006 was 91%. 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 could have been sold by Bruce Power. Reduced generation capacity may 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 2007, BPLP plans to invest $55 million in sustaining capital.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2006, 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 significant changes were made in our internal controls over financial reporting during the year ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, expect for as follows: On May 1, 2006, the second implementation phase of an enterprise resource planning application became operational at Cameco's Canadian operations, including the plant maintenance, purchasing, materials management, accounts payable and project systems modules. The first phase, completed as of January 1, 2003, included human resources, payroll and finance modules. Cameco believes that certain changes made to the company's internal control structure, in connection with this implementation, strengthened its internal control structure.

CRITICAL ACCOUNTING ESTIMATES

Cameco prepares its 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 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 such forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: the impact of the sales volume of fuel fabrication services, uranium, conversion services, electricity generated and gold; volatility and sensitivity to market prices for uranium, conversion services, electricity in Ontario and gold; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in capital cost, production decommissioning, reclamation, reserve and tax estimates; environmental and safety risks including increased regulatory burdens and long-term waste disposal; unexpected geological or hydrological conditions; adverse mining conditions; 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 tax and trade laws and policies; demand for nuclear power; replacement of production; failure to obtain or maintain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; natural phenomena including inclement weather conditions, fire, flood, underground floods, earthquakes, pitwall failure and cave-ins; ability to maintain and further

improve positive labour relations; strikes or lockouts; operating performance, disruption in the operation of, and life of the company's and customers' facilities; decrease in electrical production due to planned outages extending beyond their scheduled periods or unplanned outages; success of planned development projects; and other development and operating risks.

Although Cameco believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this report. Cameco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

Additional information related to 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, 2006 and December 31, 2005, KPMG LLP and its affiliates were paid by Cameco Corporation and its subsidiaries the following fees:

	2006	2005
Audit fees:		
Cameco and Canadian joint ventures	$ 834,000	$ 389,000
Cameco — securities	—	100,000
Centerra and other subsidiaries	895,200	574,800
Centerra — securities	—	—
	$1,729,200	$1,063,800
Audit — related fees:		
Bruce Power Reorganization	$ —	$ 70,000
SOX 404 Scoping Project	90,000	35,000
Translation services	—	10,000
Pensions and other	8,500	7,500
Zircatec — Specified Procedures	50,000	—
	$ 148,500	$ 122,500
Tax:		
Compliance	$ 167,500	$ 160,400
Planning and advice	51,700	36,400
	$ 219,200	$ 196,800
All other fees:	—	—
Total	$2,096,900	$1,383,100

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 which 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



KPMG LLP
Chartered Accountants
600 — 128 Fourth Avenue South
Saskatoon SK S7K 1M8

Telephone (306) 934-6200
Fax (306) 934-6233
Internet www.kpmg.ca

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this annual report on Form 40-F of:

— our Auditors' Report dated March 16, 2007 on the consolidated balance sheets of Cameco Corporation ("the Company") as at December 31, 2006 and 2005, and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2006

— our Report of Independent Registered Public Accounting Firm dated March 16, 2007 on management's assessment of the effectiveness internal control over financial reporting as of December 31, 2006 and the effectiveness of internal control over financial reporting as of December 31, 2006

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2006.

We also consent to the incorporation by reference of such reports in the registration statements (Nos. 333-11736, 333-6180 and 333-139165) on Form S-8 for the Cameco Corporation Stock Option Plan, and registration statement (No. 333-139324) on Form S-8 for the Cameco Corporation Employee Share Ownership Plan.

KPMG LLP

Chartered Accountants
Saskatoon, Canada
March 16, 2007

EXHIBIT 99.6

I, Gerald W. Grandey, certify that:

1. I have reviewed this report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2007

/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 report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2007

/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, 2006, 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 30, 2007

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, 2006, 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 30, 2007

EXHIBIT 99.10

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Alain Mainville
Name: Alain Mainville
Title: Director, Mineral Resources Management, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.11

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Centerra Gold Inc. — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Gold — Qualified Person" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "Centerra Gold Inc. — Reserves and Resources" of the AIF and under the heading "Gold — Qualified Person" in the MD&A.

Sincerely,

/s/ Ian Atkinson
Name: Ian Atkinson
Title: Certified Professional Geologist, Vice President, Exploration, Centerra Gold Inc.

Date: March 30, 2007

EXHIBIT 99.12

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Doug Beattie
Name: Doug Beattie
Title: Chief Mine Engineer, Engineering and Projects, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.13

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Chuck Edwards
Name: Chuck Edwards
Title: Director, Engineering and Projects, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.14

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Cameron Chapman
Name: Cameron Chapman
Title: Technical Superintendent, McArthur River, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.15

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Gary Haywood
Name: Gary Haywood
Title: General Manager, McArthur River, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.16

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Doug McIlveen
Name: Doug McIlveen
Title: Cigar Lake Chief Geologist, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.17

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Barry Schmitke
Name: Barry Schmitke
Title: Cigar Lake General Manager, Cameco Corporation

Date: March 30, 2007

EXHIBIT 99.18

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Dave Crawford
Name: Dave Crawford
Title: Manager, Project Development, Power Resources, Inc.

Date: March 30, 2007

EXHIBIT 99.19

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Chuck Foldenauer
Name: Chuck Foldenauer
Title: Smith-Ranch Highland Mine Manager, Power Resources, Inc.

Date: March 30, 2007

EXHIBIT 99.20

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Steve Lunsford
Name: Steve Lunsford
Title: Sr. Evaluation Geologist, Power Resources, Inc.

Date: March 30, 2007

EXHIBIT 99.21

CONSENT OF EXPERT

Reference is made to the Annual Report on Form 40-F (the "40-F") of Cameco Corporation (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

I hereby consent to the use of and reference to my name under the heading "The Nuclear Business — Reserves and Resources" in the Company's Annual Information Form for the year ended December 31, 2006, dated March 30, 2007 (the "AIF"), under the heading "Qualified Persons" in Management's Discussion and Analysis of Financial Condition and Results of Operation for the year ended December 31, 2006 (the "MD&A") and in the 40-F, and to disclosure of a scientific and technical nature pursuant to which I have acted in a supervisory capacity under the heading "The Nuclear Business — Reserves and Resources" of the AIF and under the heading "Qualified Persons" in the MD&A.

Sincerely,

/s/ Steve Magnuson
Name: Steve Magnuson
Title: V.P. Engineering & Development, Power Resources, Inc.

Date: March 30, 2007

EXHIBIT 99.22

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Cameco Corporation

We have audited management's assessment, included in the accompanying management's discussion and analysis , that Cameco Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have conducted our audits on the consolidated financial statements in accordance with Canadian generally accepted auditing standards. With respect to the year ended December 31, 2006, we also have conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our report dated March 16, 2007 expressed an unqualified opinion on those consolidated financial statements.

Chartered Accountants

/s/ KPMG LLP

Saskatoon, Canada

March 16, 2007