



Management's discussion and analysis

for the quarter ended March 31, 2011

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

Management's discussion and analysis

This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our unaudited condensed consolidated interim financial statements and notes for the quarter ended March 31, 2011 (interim financial statements). The information is based on what we knew as of May 5, 2011 and updates the annual MD&A included in our 2010 annual financial report.

As you review the MD&A, we encourage you to read our interim financial statements as well as our audited consolidated financial statements and notes for the year ended December 31, 2010 and annual MD&A of the audited consolidated financial statements. You can find more information about Cameco, including our audited consolidated financial statements and our most recent annual information form, on our website at cameco.com, on SEDAR at sedar.com or on EDGAR at sec.gov. You should also read our annual information form before making an investment decision about our securities.

Effective January 1, 2011, we adopted International Financial Reporting Standards (IFRS) for Canadian publicly accountable enterprises. Our interim financial statements for the first quarter of 2011 have been prepared using IFRS. Amounts relating to the year ended December 31, 2010 in this MD&A and our interim financial statements have been recast to reflect our adoption of IFRS. Amounts for periods prior to January 1, 2010 are presented in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

Financial information provided in this MD&A and our interim financial statements has been prepared using IFRS standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which will be December 31, 2011. However, certain accounting policies may not be adopted or the application of such policies to certain transactions or circumstances may be modified. As a result, financial information contained in this MD&A and our interim financial statements is subject to change.

Presentation and terminology used in our interim financial statements and this MD&A differ from that used in previous years. Details of the more significant accounting differences can be found starting on page 27 of this MD&A and in note 3 to our interim financial statements.

To help you distinguish and understand the impact of the transition to IFRS on our interim financial statements, where we refer to "Canadian GAAP" in this MD&A, we mean Canadian GAAP before the adoption of IFRS.

Unless we have specified otherwise, all dollar amounts are in Canadian dollars.

Caution about forward-looking information

Our MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans and future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States securities laws. We refer to them in this MD&A as *forward-looking information*.

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words and phrases about the future, such as: anticipate, estimate, expect, plan, intend, predict, goal, target, project, potential, strategy and outlook (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of *material assumptions*, including those we have listed on page 3, which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business. We list a number of these *material risks* on page 3. We recommend you also review our annual information form and our annual MD&A, which include a discussion of other *material risks* that could cause actual results to differ significantly from our current expectations.
- Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward-looking information in this MD&A

- our expectations about 2011 and future global uranium supply, consumption, demand and number of operating reactors, including the discussion on the expected impact resulting from the situation at the Fukushima nuclear power plant in Japan
- our goal for doubling annual production by 2018 to 40 million pounds and our expectation that existing cash balances and operating cash flows will meet anticipated capital requirements without the need for any significant additional funding
- our expectation that uranium demand in the near term will remain discretionary
- the outlook for each of our operating segments for 2011, and our consolidated outlook for the year
- our expected delivery volumes for the second quarter being the lowest for the year and the fourth quarter deliveries accounting for about one-third of 2011 sales volumes
- our expectation that we will invest significantly in expanding production at existing mines and advancing projects as we pursue our growth strategy
- our expectation that cash balances will decline gradually as we use the funds in our business and pursue our growth plans
- our expectation that our operating and investment activities in 2011 will not be constrained by the financial covenants in our general credit facilities
- our uranium price sensitivity analysis
- forecast production at our uranium operations from 2011 to 2015
- our expectation that Inkai will receive all the necessary approvals and permits to meet its 2011 and future annual production targets
- our future plans for each of our uranium operating properties, development projects and projects under evaluation, and fuel services operating sites
- our mid-2013 target for initial production from Cigar Lake
- the discussion of the expected impact of IFRS on our financial reporting and business activities

Material risks

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

Material assumptions

- our expectations regarding sales and purchase volumes and prices for uranium, fuel services and electricity
- our expectations regarding the demand for uranium, the construction of new nuclear power plants and the relicensing of existing nuclear power plants not being adversely affected by changes in regulation or in the public perception of the safety of nuclear power plants
- our expected production costs
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed on page 18, Price sensitivity analysis: uranium
- our expectations regarding tax rates, foreign currency exchange rates and interest rates
- our decommissioning and reclamation expenses
- our mineral reserve and resource estimates
- the geological, hydrological and other conditions at our mines
- our Cigar Lake remediation and development plans succeed
- our ability to continue to supply our products and services in the expected quantities and at the expected times
- our ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals
- our operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, breakdown, natural disasters, governmental or political actions, litigation or arbitration proceedings, the unavailability of reagents, equipment, operating parts and supplies critical to production, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave ins, tailings dam failure, lack of tailings capacity, or other development or operating risks
- our IFRS-based forecasts are not significantly impacted by new IFRS standards or changes in the standards or their interpretation or changes in our policy choices

First quarter update

As a pure-play nuclear energy investment, we are well positioned as the world continues to focus on nuclear as a source of clean, reliable and affordable energy. We are among the world's largest uranium producers, with world class assets and strong fundamentals, operating in a market where demand is growing.

Our vision is to be a dominant nuclear energy company producing uranium fuel and generating clean electricity.

We have long-term objectives for each of our three business segments:

- *uranium* – double our annual production to 40 million pounds by 2018 from existing assets
- *fuel services* – invest in our fuel services business to support our overall growth in the nuclear business
- *electricity* – maintain steady cash flow while looking at options to extend the operating life of the four Bruce B units

You can read more about our strategy in our 2010 annual MD&A.

Our performance

Highlights (\$ millions except where indicated)	Three months ended March 31			
	2011	2010	change	
Revenue	454	485	(6)%	
Gross profit	136	184	(26)%	
Net earnings	91	143	(36)%	
\$ per common share (diluted)	0.23	0.36	(36)%	
Adjusted net earnings (non-IFRS measure, see pages 10 and 11)	85	112	(24)%	
\$ per common share (adjusted and diluted)	0.21	0.28	(25)%	
Cash provided by operations (after working capital changes)	266	146	82%	
Average realized prices				
Uranium	\$US/lb	48.06	42.34	14%
	\$Cdn/lb	48.60	45.79	6%
Fuel services	\$Cdn/kgU	20.63	26.06	(21)%
Electricity	\$Cdn/MWh	53.00	58.00	(9)%

First quarter

Net earnings attributable to our shareholders (net earnings) this quarter were \$91 million (\$0.23 per share diluted) compared to \$143 million (\$0.36 per share diluted) in the first quarter of 2010. In addition to the items noted below, our net earnings were impacted by lower gains on derivatives. While the Canadian dollar strengthened in the first three months of 2011, it strengthened to a greater extent in the first three months of last year.

On an adjusted basis, our earnings this quarter were \$85 million (\$0.21 per share diluted) compared to \$112 million (\$0.28 per share diluted) (non-IFRS measure, see pages 10 and 11) in the first quarter of 2010. The decline was due to:

- lower earnings from our electricity business due to a decline in realized prices and higher costs
- lower earnings from our fuel services business due to lower average realized prices
- lower earnings from our uranium business due to lower sales and an increase in the average cost of product sold, partially offset by an increase in the realized price

See *Financial results by segment* for more detailed discussion.

Operations update

Highlights March 31		Three months ended March 31		
		2011	2010	change
Uranium	Production volume (million lbs)	4.7	6.1	(23)%
	Sales volume (million lbs)	6.1	6.6	(8)%
	Revenue (\$ millions)	297	302	(2)%
Fuel services	Production volume (million kgU)	4.3	4.8	(10)%
	Sales volume (million kgU)	2.4	2.2	9%
	Revenue (\$ millions)	49	58	(16)%
Electricity	Output (100%) (TWh)	6.4	6.8	(6)%
	Revenue (100%) (\$ millions)	340	394	(14)%
	Our share of earnings before taxes (\$ millions)	30	55	(45)%

Production in our uranium segment this quarter was down 23% compared to the first quarter of 2010 mainly due to a change in the production schedule at McArthur River/Key Lake. At McArthur River, we decided to remove abandoned freezepipes from the new production chamber in zone 2, panel 5 prior to beginning production. This work resulted in lower ore deliveries to the Key Lake mill. To optimize production for the year, we rescheduled the maintenance outage at the Key Lake mill from the second quarter to the first quarter. We do not expect the change in the schedule to impact our production target for the year. See *Uranium 2011 Q1 Updates* for more information.

Some key highlights:

- at Cigar Lake, we began to freeze the ground around shaft 2 and restarted freezing of the orebody
- at Inkai, we received final approval for annual production of 3.9 million pounds (100% basis)
- at Kintyre, we completed a mineral resource estimate

Production in our fuel services segment decreased by 10% this quarter compared to 2010 due to operational issues experienced at the Port Hope conversion facility, which were resolved following a two week shutdown. We continue to expect production to be between 15 million and 16 million kgU this year.

In our electricity segment, BPLP's generation was 6% lower for the quarter compared to the same period last year. The capacity factor this quarter was 91%.

Uranium market update

Of note this quarter:

On March 11, 2011, Japan suffered a devastating earthquake and tsunami. This natural disaster resulted in significant human tragedy and widespread damage to infrastructure, including at the Fukushima-Daiichi nuclear power plant.

With events still unfolding, the long-term impact on nuclear power generation and global uranium supply and demand is unclear. However, we have reviewed our supply and demand outlook and revised our estimates to take into account the information that is currently available. We now expect world uranium demand will be 2.2 billion pounds over the next 10 years, compared to our previous estimate of 2.3 billion pounds, a 4% decline. Given our contract portfolio and marketing strategy, we expect the impact on Cameco to be significantly less.

We expect the nuclear renaissance will continue, although it may take a somewhat different shape. Almost every country with a nuclear program or contemplating a nuclear program has said it will take time to review existing and new plant designs. This may mean delays in licensing and permitting for new reactors and relicensing of existing reactors. We do not expect that reactors currently under construction will be significantly affected.

With 437 operable reactors today, we expect a net increase of approximately 90 reactors by 2020, a decrease of 10% from our previous estimate of about 100.

Much of the growth in nuclear is expected to come from countries such as China, India, South Korea, United Arab Emirates and Turkey. These countries seek diversified sources of energy and security of supply at a time when energy demand is growing rapidly and is essential to an improved standard of living. So, while these countries will take time to incorporate lessons learned from Fukushima, all have recently reconfirmed their commitment to include nuclear as a necessary part of their energy mix.

We expect events in Japan will result in an 8% reduction in global uranium consumption in 2011 from our previous estimate of 195 million pounds. The decrease is primarily driven by the shutdown of six units at Fukushima and Germany's decision to temporarily shut down seven of its oldest reactors and to place a three-month moratorium on the previously announced life extension of its reactor fleet. Some of these units in Germany will likely be shut down permanently. Nevertheless, we continue to expect annual world uranium consumption to be about 230 million pounds in 2020, an average annual growth rate of about 3% compared to our previous estimate of 2%. The increase in the growth rate is due to the lower expected consumption in 2011. We expect world consumption of UF₆ and UO₂ conversion services in 2011 to remain the same as 2010.

Over the next 10 years, we expect the new supply required to meet global uranium demand will be about 320 million pounds compared to our previous estimate of 400 million pounds. The decrease in new supply required is less than the decrease in expected global demand due to revised production forecasts from a number of producers. As a result of the revised forecasts, we expect global uranium production in 2011 will be about 145 million pounds compared to our previous estimate of 150 million pounds.

We expect about 70% of global uranium supply over the next 10 years to come from mines currently in commercial operation. We expect less than 20% to come from existing secondary supply sources and the remainder will come from new sources of supply.

The industry is responding in a responsible manner to the events in Japan and the increased safety concerns regarding nuclear power. Governments, regulators and the general public are looking for assurances that every segment of the industry has learned the lessons resulting from Fukushima. In the weeks and months ahead, this will mean reviewing and testing operating, safety and emergency response systems, and where necessary, taking action to implement changes.

We continue to monitor the situation at Fukushima. We will review all of the lessons learned from this event and, where applicable, we will incorporate them at all our facilities to ensure the health and safety of our employees, communities and the environment.

Caution about forward-looking information relating to Fukushima

This discussion of the expected impact of the situation at the Fukushima nuclear power plant in Japan, including its potential impact on future global uranium demand and the number of operating reactors, is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading *Caution about forward-looking information* beginning on page 2.

More specifically, it is based on the assumptions that:

- we have accurately assessed the effect that the events which have already taken place will have on the regulation and public perception of the safety of nuclear power plants and the resulting impact on the demand for uranium
- there will not be any significant adverse changes in conditions at Fukushima

It is subject to the risks that:

- the situation could have a more significant adverse impact on the demand for uranium than we now expect based on currently available information
- subsequent developments in the situation could result in a further reduction in uranium demand

Other items of note this quarter:

The US Department of Energy (DOE) authorized the transfer of up to 1.2 million pounds U₃O₈ equivalent per quarter (annually no more than 4.2 million pounds) from its uranium inventories to fund accelerated clean up activities at the Portsmouth gaseous diffusion plant. Starting with the sale of about 0.9 million pounds U₃O₈ equivalent in the first quarter, the transfers are scheduled to run through the third quarter of 2013. The industry expects the DOE to adhere to its limitations, with total annual transfers under all its programs not to exceed 10% of the domestic US market (about 5.2 million pounds U₃O₈ equivalent).

USEC announced the signing of a new 10-year agreement with Russia's Techsnabexport (Tenex) for the supply of commercial enrichment services beginning in 2013. The agreement enables USEC to access enrichment services from Russia to replace the Separative Work Units (SWU) of enrichment services that will be lost when the Russian highly enriched uranium (HEU) commercial agreement expires in 2013. The SWU will come from Russia's commercial enrichment activities as opposed to the blend down of Russian weapons as is currently the case under the Russian HEU commercial agreement. The details of the transactions contemplated under the agreement, including US and Russian government to government implementing agreements and Russian regulatory approval, still need to be finalized. We do not expect the USEC/Tenex agreement to have an impact on the uranium or conversion markets.

Industry prices

	Mar 31 2011	Dec 31 2010	Mar 31 2010	Dec 31 2009
Uranium (\$US/lb U ₃ O ₈) ¹				
Average spot market price	60.50	62.25	41.88	44.50
Average long-term price	70.00	66.00	59.00	61.00
Fuel services (\$US/kgU UF ₆) ¹				
Average spot market price				
• North America	12.00	12.50	5.63	5.75
• Europe	12.00	12.50	7.50	8.00
Average long-term price				
• North America	15.75	15.00	11.00	11.00
• Europe	16.00	15.25	12.75	12.75
Note: the industry does not publish UO ₂ prices.				
Electricity (\$/MWh)				
Average Ontario electricity spot price	32.00	36.00	34.00	30.00

¹ Average of prices reported by TradeTech and Ux Consulting (Ux)

On the spot market, where purchases call for delivery within one year, the volume reported for the first quarter of 2011 was about 19 million pounds U₃O₈. This compares to about 13 million pounds in the first quarter of 2010.

After an increase in January, the situation at the Fukushima nuclear plant in Japan put downward pressure on the spot price. At the end of the quarter, the average spot price was \$60.50 (US) per pound and has continued to drift down with Ux reporting \$55.25 on May 2, 2011. Demand remains extremely discretionary and buyers are very price sensitive.

The long-term uranium price increased at the beginning of the quarter, declining slightly during the month of March, but ending the quarter higher than at the end of last year. Term contracting activity has been limited, but demand increased at the end of the quarter. Long-term contracts usually call for deliveries to begin more than two years after the contract is finalized, and use a number of pricing formulas, including fixed prices adjusted by inflation indices, and market referenced prices (spot and long-term indicators quoted near the time of delivery).

In general, utilities are well covered under existing contracts and have been building inventory levels of U_3O_8 since 2004, so we expect uranium demand in the near term to remain discretionary.

Spot market UF_6 conversion prices rose at the beginning of the quarter, but fell in March to end the quarter slightly lower than at the end of 2010. Long-term UF_6 conversion price indicators increased throughout the quarter.

Long-term fundamentals are strong

While the tragic events in Japan may result in increased scrutiny for the nuclear industry in the months ahead, we believe the long-term fundamentals remain positive. Electricity is essential to maintaining and improving the standard of living for people throughout the world, and nuclear power continues to be seen as an affordable and sustainable source of clean, reliable energy. The demand for uranium is expected to grow, and along with it, the need for new supply to meet future customer requirements.

Our long history of success comes from many years of hard work and discipline, developing and acquiring the expertise and assets we need to deliver on our strategy. We are well positioned to grow and be successful, and to build value for our shareholders.

Shares and stock options outstanding

At May 4, 2011, we had:

- 394,702,685 common shares and one Class B share outstanding
- 8,722,872 stock options outstanding, with exercise prices ranging from \$10.51 to \$46.88

Dividend policy

Our board of directors has established a policy of paying a quarterly dividend of \$0.10 (\$0.40 per year) per common share. This policy will be reviewed from time to time based on our cash flow, earnings, financial position, strategy and other relevant factors.

Financial results

This section of our MD&A discusses our performance, our financial condition and our outlook for the future.

2011 Q1 results

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Consolidated financial results

Effective January 1, 2011, we adopted IFRS for Canadian publicly accountable enterprises. Our interim financial statements have been prepared using IFRS. Amounts relating to the year ended December 31, 2010 in this MD&A and our related interim financial statements have been recast to reflect our adoption of IFRS. Amounts for periods prior to January 1, 2010 are presented in accordance with Canadian GAAP.

Highlights (\$ millions except per share amounts)	Three months ended March 31		change
	2011	2010	
Revenue	454	485	(6)%
Net earnings	91	143	(36)%
\$ per common share (basic)	0.23	0.36	(36)%
\$ per common share (diluted)	0.23	0.36	(36)%
Adjusted net earnings (non-IFRS measure, see pages 10 and 11)	85	112	(24)%
\$ per common share (adjusted and diluted)	0.21	0.28	(25)%
Cash provided by operations (after working capital changes)	266	146	82%

Net earnings

Net earnings this quarter were \$91 million (\$0.23 per share diluted) compared to \$143 million (\$0.36 per share diluted) in the first quarter of 2010 due to:

- lower earnings from our electricity business due to a decline in realized prices and higher costs
- lower earnings from our fuel services business due to lower average realized prices
- lower earnings from our uranium business due to lower sales and an increase in the average cost of product sold, partially offset by an increase in the realized price
- lower gains on derivatives

The following table shows the items that contribute to the difference between our Canadian GAAP and IFRS earnings for the three months ended March 31, 2010. For more information about these accounting differences see page 27 in this MD&A or note 3 to our interim financial statements.

2010 changes in earnings (\$ millions)	Three months ended	
	March 31	
Net earnings – Canadian GAAP	142	
Accounting differences		
Borrowing costs	(10)	
Decommissioning provision	(1)	
In-process research & development	3	
Income taxes	8	
All other	1	
Total accounting differences	1	
Net earnings – IFRS	143	

Adjusted net earnings (non-IFRS/GAAP measures)

Adjusted net earnings is a measure with no standardized meaning under IFRS (non-IFRS measure). We use adjusted net earnings as a more meaningful way to compare our financial performance from period to period. Adjusted net earnings is our net earnings adjusted for unrealized mark-to-market gains and losses on our financial instruments, which we believe do not reflect underlying financial performance. We also used this measure prior to adoption of IFRS (non-GAAP measure).

Adjusted net earnings is non-standard supplemental information, and not a substitute for financial information prepared according to accounting standards. Other companies may calculate this measure differently. The table below reconciles adjusted net earnings with our net earnings.

(\$ millions)	Three months ended	
	2011	2010
Net earnings	91	143
Adjustments (after tax)		
Unrealized gains on financial instruments	(6)	(31)
Adjusted net earnings	85	112

The table that follows describes what contributed to the changes in adjusted net earnings this quarter.

Change in adjusted net earnings (\$ millions)		Three months ended March 31
Adjusted net earnings – 2010		112
Change in gross profit by segment (we calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation, depletion and reclamation (DDR))		
Uranium	Lower sales volumes	(8)
	Higher realized prices (\$US)	38
	Foreign exchange impact on realized prices	(21)
	Higher costs	(16)
	change - uranium	(7)
Fuel services	Higher sales volumes	2
	Lower realized prices (\$Cdn)	(13)
	Higher costs	(5)
	change – fuel services	(16)
Electricity	Lower sales volumes	(3)
	Lower realized prices (\$Cdn)	(10)
	Higher costs	(12)
	change – electricity	(25)
Other changes		
	Higher realized gains on derivatives & foreign exchange	14
	Lower income taxes	4
	Minority interest	1
	Miscellaneous	2
Adjusted net earnings - 2011		85

See *Financial results by segment* for more detailed discussion.

Average realized prices

		Three months ended March 31		
		2011	2010	change
Uranium	\$US/lb	48.06	42.34	14%
	\$Cdn/lb	48.60	45.79	6%
Fuel services	\$Cdn/kgU	20.63	26.06	(21)%
Electricity	\$Cdn/MWh	53.00	58.00	(9)%

Quarterly trends

Highlights (\$ millions except per share amounts)	2011					Canadian GAAP 2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	454	673	419	546	485	659	518	645
Net earnings	91	205	98	70	143	598	172	247
\$ per common share (basic)	0.23	0.52	0.25	0.18	0.36	1.52	0.44	0.64
\$ per common share (diluted)	0.23	0.51	0.25	0.18	0.36	1.52	0.44	0.64
Adjusted net earnings (non-IFRS/GAAP measures, see pages 10 & 11)	85	189	80	116	112	170	94	161
\$ per share diluted	0.21	0.48	0.21	0.29	0.28	0.43	0.24	0.41
Earnings from continuing operations	91	205	98	70	143	174	195	269
\$ per common share (basic)	0.23	0.52	0.25	0.18	0.36	0.44	0.49	0.68
\$ per common share (diluted)	0.23	0.51	0.25	0.18	0.36	0.44	0.49	0.68
Cash provided by operations	266	111	(2)	266	146	188	175	147

The table that follows presents the differences between net earnings and adjusted net earnings for the previous eight quarters.

(\$ millions)	2011					Canadian GAAP 2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net earnings	91	205	98	70	143	598	172	247
Adjustments (net of tax)								
Unrealized losses (gains) on financial instruments	(6)	(16)	(18)	46	(31)	(4)	(101)	(108)
Loss (earnings) from discontinued operations	-	-	-	-	-	(424)	23	22
Adjusted net earnings (non-IFRS/GAAP measures, see pages 10 & 11)	85	189	80	116	112	170	94	161

Key things to note:

- Our financial results are strongly influenced by the performance of our uranium segment, which accounted for 65% of consolidated revenues in the first quarter of 2011.
- The timing of customer requirements, which tend to vary from quarter to quarter, drives revenue in the uranium and fuel services segments.
- Net earnings do not trend directly with revenue due to unusual items and transactions that occur from time to time. We use adjusted net earnings, a non-IFRS measure, as a more meaningful way to compare our results from period to period.
- Cash from operations tends to fluctuate as a result of the timing of deliveries and product purchases in our uranium and fuel services segments.
- Quarterly results are not necessarily a good indication of annual results due to the variability in customer requirements noted above.

Administration

(\$ millions)	Three months ended March 31		
	2011	2010	change
Direct administration	31	29	7%
Stock-based compensation	3	2	50%
Total administration	34	31	10%

Direct administration costs were \$31 million this quarter, or \$2 million higher than the same period last year. These increases reflect the costs necessary for evaluating and pursuing growth opportunities including:

- increased hiring
- studies and analyses of various opportunities

Exploration

Uranium exploration expenses were \$18 million this quarter compared to \$15 million in the same quarter in 2010, as activity at the Kintyre project in Australia increased. Exploration in 2011 is focused on Canada, Australia, Kazakhstan and the United States.

Gains and losses on derivatives

We recorded \$24 million in mark-to-market gains on our financial instruments this quarter, compared to gains of \$43 million in the first quarter of 2010. While the Canadian dollar strengthened in the first three months of 2011, it strengthened to a greater extent in the first three months of 2010.

Income taxes

In the first quarter of 2011, we recorded an income tax expense of \$4 million compared to \$17 million in the first quarter of 2010. The decline this quarter was mainly due to a \$66 million decrease in pre-tax earnings, which was largely attributable to the decline in gains we recorded on derivatives and lower earnings in our electricity, fuel services and uranium businesses compared to 2010.

On an adjusted basis, we recorded an income tax expense of \$1 million this quarter compared to \$5 million in the first quarter of 2010. Our effective tax rate this quarter on an adjusted net earnings basis reflects an expense of 2% compared to 5% for the first quarter of 2010.

Foreign exchange

At March 31, 2011:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$0.97 (Cdn), down from \$1.00 (US) for \$0.99 (Cdn) at December 31, 2010. The exchange rate averaged \$1.00 (US) for \$0.99 (Cdn) over the quarter.
- We had foreign currency contracts of \$1.3 billion (US) and EUR 92 million at March 31, 2011. The US currency contracts had an average exchange rate of \$1.00 (US) for \$1.02 (Cdn).
- The mark-to-market gain on all foreign exchange contracts was \$54 million compared to a \$47 million gain at December 31, 2010. We received cash of \$17 million this quarter related to the settlement of foreign exchange contracts.

Outlook for 2011

Over the next several years, we expect to invest significantly in expanding production at existing mines and advancing projects as we pursue our growth strategy. The projects are at various stages of development, from exploration and evaluation to construction.

We expect our existing cash balances and operating cash flows will meet our anticipated requirements over the next several years, without the need for significant additional funding. Cash balances will decline gradually as we use the funds in our business and pursue our growth plans.

Our outlook for 2011 reflects the expenditures necessary to help us achieve our strategy. Our outlook for consolidated revenue, uranium revenue and capital expenditures has changed from the outlook in our 2010 annual MD&A. We explain the material changes below. All other items in the table are unchanged. We do not include an outlook for the items in the table that are marked with a dash.

See *Financial results by segment* for details.

	Consolidated	Uranium	Fuel services	Electricity
Production	-	21.9 million lbs	15 to 16 million kgU	-
Sales volume	-	31 to 33 million lbs	Increase 10% to 15%	-
Capacity factor	-	-	-	89%
Revenue compared to 2010	Increase 5% to 10%	Increase 10% to 15% ¹	Increase 5% to 10%	Decrease 10% to 15%
Unit cost of produced product sold (including DDR)	-	Increase 0% to 5% ²	Increase 2% to 5%	Increase 10% to 15%
Direct administration costs compared to 2010 ³	Increase 15% to 20%	-	-	-
Exploration costs compared to 2010	-	Decrease 5% to 10%	-	-
Tax rate	Recovery of 0% to 5%	-	-	-
Capital expenditures	\$620 million ⁴	-	-	\$80 million

¹Based on a uranium spot price of \$55.25 (US) per pound (the Ux spot price as of May 2, 2011), a long-term price indicator of \$70.00 (US) per pound (the Ux long-term indicator on April 25, 2011) and an exchange rate of \$1.00 (US) for \$0.95 (Cdn).

²This increase is based on the unit cost of sale for produced material. Any additional discretionary purchases in 2011 may cause the overall unit cost of product sold to increase further.

³Direct administration costs do not include stock-based compensation expenses.

⁴Does not include our share of capital expenditures at BPLP.

We now expect uranium revenues to increase by 10% to 15% over 2010 (previously a 15% to 20% increase), due to the strengthening of the Canadian dollar relative to the US dollar. Our previous expectation was based on an exchange rate assumption of \$1.00 (US) for \$1.00 (Cdn). Our updated expectation is based on the May 2, 2011 exchange rate of \$1.00 (US) for \$0.95 (Cdn). The change in the exchange rate also caused a change in our outlook for consolidated revenues. We now expect consolidated revenues to increase by 5% to 10% over 2010 (previously a 10% to 15% increase). To offset some of this decline, we expect additional value from our foreign exchange contracts.

Our customers choose when in the year to receive deliveries of uranium and fuel services products, so our quarterly delivery patterns, and therefore our sales volumes and revenue, can vary significantly. This year, we expect deliveries will be heavily weighted to the second half of the year. We expect deliveries in the second quarter to be the lowest for the year and the fourth quarter to account for about one-third of our 2011 sales volumes.

Our investment in Talvivaara is now being shown as a capital expenditure. As a result, our estimate of capital expenditures has increased to \$620 million compared to our previous estimate of \$575 million.

Sensitivity analysis

For the rest of 2011:

- a change of \$5 (US) per pound in both the Ux spot price (\$55.25 (US) per pound on May 2, 2011) and the Ux long-term price indicator (\$70.00 (US) per pound on April 25, 2011) would change revenue by \$29 million and net earnings by \$21 million
- a change of \$5 in the electricity spot price would change our 2011 net earnings by \$2 million, based on the assumption that the spot price will remain below the floor price of \$50.18 provided for under BPLP's agreement with the Ontario Power Authority (OPA)
- a one-cent change in the value of the Canadian dollar versus the US dollar would change revenue by \$15 million and adjusted net earnings by \$5 million. This sensitivity is based on an exchange rate of \$1.00 (US) for \$0.95 (Cdn).

Liquidity and capital resources

Cash from operations

Cash from operations was \$120 million higher this quarter than in 2010 due to lower working capital requirements. Working capital changes provided \$171 million, primarily from a decrease in accounts receivable partially offset by an increase in uranium inventories during the quarter. In 2010, working capital consumed \$50 million in cash largely due to increases in product inventories. Not including working capital requirements, our operating cash flows this quarter were down by \$76 million, largely due to lower uranium sales volumes and a lower realized price for electricity. See *Financial results by segment* for details.

On transition to IFRS, we elected to classify interest payments as a financing activity rather than an operating activity in our statement of cash flows. This change will increase our reported cash flows from operating activities with a corresponding decrease in cash flows from financing activities. There is no net impact on consolidated cash flows as a result of this change in presentation. Prior period amounts have been recast to reflect this classification.

Debt

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totalling about \$1.2 billion at March 31, 2011, the same as at December 31, 2010. At March 31, 2011, we had approximately \$546 million outstanding in letters of credit.

Debt covenants

We are bound by certain covenants in our general credit facilities. The financially related covenants place restrictions on total debt, including guarantees, and set minimum levels of net worth. As at March 31, 2011, we met these financial covenants and do not expect our operating and investment activities in 2011 to be constrained by them.

Long-term contractual obligations and off-balance sheet arrangements

We had two kinds of off-balance sheet arrangements at March 31, 2011:

- purchase commitments
- financial assurances

There have been no material changes to our long-term contractual obligations, purchase commitments and financial assurances since December 31, 2010, including payments due for the next five years and thereafter. Our long-term contractual obligations do not include our sales commitments. Please see our annual MD&A for more information.

Balance sheet

(\$ millions except per share amounts)	Mar 31, 2011	Dec 31, 2010	change
Cash and short-term investments	1,383	1,260	10%
Total debt	1,034	1,039	-
Inventory	601	533	13%

Total cash and short-term investments at March 31, 2011 were \$1,383 million, or 10% higher than at December 31, 2010, exceeding our total debt by \$349 million.

Total debt declined by \$5 million to \$1,034 million at March 31, 2011. Of this total, \$97 million was classified as current, down \$2 million compared to December 31, 2010. See notes 10 and 11 of our audited annual financial statements for more detail.

Total product inventories increased by 13% to \$601 million. This was the result of higher fuel services inventory, as sales were lower than production and purchases in the first three months of the year. In addition, the average carrying cost for uranium increased during the quarter due to material purchased at near-market prices and higher costs for produced uranium.

Financial results by segment

Uranium

Highlights	Three months ended March 31		change
	2011	2010	
Production volume (million lbs)	4.7	6.1	(23)%
Sales volume (million lbs)	6.1	6.6	(8)%
Average spot price (\$US/lb)	67.58	41.79	62%
Average realized price (\$US/lb)	48.06	42.34	14%
Average realized price (\$Cdn/lb)	48.60	45.79	6%
Cost of sales (\$Cdn/lb U ₃ O ₈) (including DDR)	32.30	29.51	9%
Revenue (\$ millions)	297	302	(2)%
Gross profit (\$ millions)	100	107	(7)%
Gross profit (%)	34	35	(3)%

First quarter

Production volumes this quarter were 23% lower compared to the first quarter of 2010 primarily due to lower production at McArthur River/Key Lake. See *Operating Properties* for more information.

Uranium revenues this quarter were down 2% compared to 2010, due to a 8% decline in sales volumes partially offset by a 6% increase in the \$Cdn realized selling price.

Our realized prices this quarter were higher than the first quarter of 2010 mainly due to higher \$US prices under market-related contracts, partially offset by a less favourable exchange rate. In the first quarter of 2011, our realized foreign exchange rate was \$1.01 compared to \$1.08 in the prior year.

Total cash cost of sales (excluding DDR) increased by 5% this quarter, to \$175 million (\$28.55 per pound U₃O₈). This was mainly the result of the following:

- average unit costs for produced uranium were 14% higher due to increased unit production costs relating to the lower production during the quarter. We continue to expect unit costs to increase by 0% to 5% for the year, compared to 2010.
- average unit costs for purchased uranium were 12% higher due to increased purchases at spot prices

The net effect was a \$7 million decrease in gross profit for the quarter.

The following table shows our cash cost of sales per unit (excluding DDR) for produced and purchased material, including royalty charges on produced material, and the quantity of produced and purchased uranium sold.

Three months ended March 31	Unit cash cost of sale (\$Cdn/lb U ₃ O ₈)			Quantity sold (million lbs)		
	2011	2010	change	2011	2010	change
Produced	27.50	24.22	3.28	4.0	4.6	(0.6)
Purchased	30.61	27.26	3.35	2.1	2.0	0.1
Total	28.55	25.14	3.41	6.1	6.6	(0.5)

Price sensitivity analysis: uranium

The table below is *not* a forecast of prices we expect to receive. The prices we actually realize will be different from the prices shown in the table.

It is designed to indicate how the portfolio of long-term contracts we had in place on March 31, 2011 would respond to different spot prices. In other words, we would realize these prices only if the contract portfolio remained the same as it was on March 31, 2011, and none of the assumptions listed below change.

Expected realized uranium price sensitivity under various spot price assumptions

(rounded to the nearest \$1.00)

(\$US/lb U₃O₈)							
Spot prices	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2011	41	43	48	52	57	62	67
2012	37	40	49	57	66	74	83
2013	43	46	54	63	72	81	89
2014	44	47	55	64	73	82	90
2015	41	45	55	65	75	86	95

The table illustrates the mix of long-term contracts in our March 31, 2011 portfolio, and is consistent with our contracting strategy. The table has been updated to reflect deliveries made and contracts entered into up to March 31, 2011.

Our portfolio includes a mix of fixed-price and market-price contracts, which we target at a 40:60 ratio. We signed many of our current contracts in 2003 to 2005, when market prices were low (\$11 to \$31 (US)). Those that are fixed at lower prices or have low ceiling prices will yield prices that are lower than current market prices. These older contracts are beginning to expire, and we are starting to deliver into more favourably priced contracts.

Our portfolio is affected by more than just the spot price. We made the following assumptions (which are not forecasts) to create the table:

Sales

- sales volumes on average of 32 million pounds per year

Deliveries

- customers take the maximum quantity allowed under each contract (unless they have already provided a delivery notice indicating they will take less)
- we defer a portion of deliveries under existing contracts for 2011 and 2012

Prices

- the average long-term price indicator is the same as the average spot price for the entire year (a simplified approach for this purpose only). Since 1996, the long-term price indicator has averaged 13% higher than the spot price. This differential has varied significantly. Assuming the long-term price is at a premium to spot, the prices in the table will be higher.
- we deliver all volumes that we don't have contracts for at the spot price for each scenario

Inflation

- is 2.0% per year

Tiered royalties

The following table provides the updated rates for 2011 Saskatchewan tiered royalty calculations on the sale of uranium extracted from our Saskatchewan mines.

The tiered royalty is calculated on the positive difference between the sales price per pound of U₃O₈ and the prescribed prices according to the following:

Royalty rate	Canadian dollar sales price in excess of:
6%	\$18.05
plus 4%	\$27.07
plus 5%	\$36.09

For example, if we realized a sales price of \$50 per pound in Canadian dollars, tiered royalties would be calculated as follows (assuming all capital allowances have been reduced to zero):

$$\begin{aligned} & [6\% \times (\$50.00 - \$18.05) \times \text{pounds sold}] \\ & + [4\% \times (\$50.00 - \$27.07) \times \text{pounds sold}] \\ & + [5\% \times (\$50.00 - \$36.09) \times \text{pounds sold}] \\ & = \$3.54 \text{ per pound sold (about 7.1\% of the assumed \$50 contract price)} \end{aligned}$$

Fuel services

(includes results for UF₆, UO₂ and fuel fabrication)

Highlights	Three months ended March 31		change
	2011	2010	
Production volume (million kgU)	4.3	4.8	(10)%
Sales volume (million kgU)	2.4	2.2	9%
Realized price (\$Cdn/kgU)	20.63	26.06	(21)%
Cost of sales (\$Cdn/kgU) (including DDR)	17.77	15.86	12%
Revenue (\$ millions)	49	58	(16)%
Gross profit (\$ millions)	7	23	(70)%
Gross profit (%)	14	40	(65)%

First quarter

Total revenue decreased by 16% due to a 21% decline in the average realized price for our fuel services products partially offset by a 9% increase in sales volumes.

Our \$Cdn realized price for fuel services was affected by the mix of products delivered in the quarter. In 2010, a higher proportion of fuel services sales were for fuel fabrication, which typically yields a much higher price than the other fuel services products.

The total cost of products and services sold (including DDR) increased by 20% (\$42 million compared to \$35 million in the first quarter of 2010) due to the increase in sales volume. The average unit cost of sales was 12% higher due to lower production levels in the first quarter of 2011 and the recognition of higher cost recoveries in the first quarter of 2010.

The net effect was a \$16 million decrease in gross profit.

Electricity

BPLP

(100% – not prorated to reflect our 31.6% interest)

Highlights (\$ millions except where indicated)	Three months ended March 31		change
	2011	2010	
Output - terawatt hours (TWh)	6.4	6.8	(6)%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	91%	98%	(7)%
Realized price (\$/MWh)	53	58	(9)%
Average Ontario electricity spot price (\$/MWh)	32	34	(6)%
Revenue	340	394	(14)%
Operating costs (net of cost recoveries)	233	209	11%
Cash costs	186	168	11%
Non-cash costs	47	41	15%
Income before interest and finance charges	107	185	(42)%
Interest and finance charges	6	7	(14)%
Cash from operations	119	165	(28)%
Capital expenditures	39	17	129%
Distributions	70	150	(53)%
Operating costs (\$/MWh)	36	31	16%

Our earnings from BPLP

Highlights (\$ millions except where indicated)	Three months ended March 31		change
	2011	2010	
BPLP's earnings before taxes (100%)	101	178	(43)%
Cameco's share of pretax earnings before adjustments (31.6%)	32	56	(43)%
Proprietary adjustments	(2)	(1)	100%
Earnings before taxes from BPLP	30	55	(45)%

First quarter

Total electricity revenue decreased 14% this quarter compared to the first quarter of 2010 due to lower output and lower realized prices. Realized prices reflect spot sales, revenue recognized under BPLP's agreement with the OPA and financial contract revenue. BPLP recognized revenue of \$109 million this quarter under its agreement with the OPA, compared to \$103 million in the first quarter of 2010. About 36% of BPLP's output was sold under financial contracts this quarter, compared to 38% in the first quarter of 2010. From time to time BPLP enters the market to lock in the gains under these contracts.

The capacity factor was 91% this quarter, down from 98% in the first quarter of 2010 due to a planned outage. There were no planned outages in the first quarter of 2010. Operating costs were \$233 million compared to \$209 million in 2010.

The result was a 45% decrease in our share of earnings before taxes.

BPLP distributed \$70 million to the partners in the first quarter. Our share was \$22 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

During the second quarter, there is a planned maintenance outage at one unit.

Our operations and development projects

Uranium – production overview

Our production this quarter was 23% lower than a year ago, mainly due to a change in the production schedule at McArthur/ Key Lake. See *Uranium 2011 Q1 Updates* for more information.

Key highlight:

- Inkai received final approval to produce at 3.9 million pounds per year (100% basis)

Uranium production

Cameco's share (million lbs U ₃ O ₈)	Three months ended March 31		
	2011	2010	change
McArthur River/Key Lake	2.4	3.7	(35)%
Rabbit Lake	1.0	1.0	-
Smith Ranch-Highland	0.4	0.5	(20)%
Crow Butte	0.2	0.2	-
Inkai	0.7	0.7	-
Total	4.7	6.1	(23)%

Outlook

We have geographically diversified sources of production. We expect to produce about 125 million pounds of U₃O₈ over the next five years from the properties listed below. Our strategy is to double our annual production to 40 million pounds by 2018, which we expect will come from our operating properties, development projects and projects under evaluation.

Cameco's share of production — annual forecast to 2015

Current forecast (million lbs U ₃ O ₈)	2011	2012	2013	2014	2015
McArthur River/Key Lake	13.1	13.1	13.1	13.1	13.1
Rabbit Lake	3.6	3.6	3.6	3.6	3.6
US ISR	2.5	3.1	3.1	3.7	3.8
Inkai	2.7	3.1	3.1	3.1	3.1
Cigar Lake	-	-	1.0	2.0	5.6
Total	21.9	22.9	23.9	25.5	29.2

In 2013, production at McArthur River may be lower as we transition to mining upper zone 4.

Our 2011 and future annual production targets assume Inkai:

- obtains the necessary government permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramps up production to an annual rate of 5.2 million pounds this year

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

There is no certainty, however, that Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not receive the permits and approvals it needs, if they are delayed, or if it is unable to ramp up production, Inkai may be unable to achieve its 2011 and future annual production targets.

This forecast is forward-looking information. It is based on the assumptions and subject to the material risks discussed on page 3, and specifically on the assumptions and risks listed here. Actual production may be significantly different from this forecast.

Assumptions

- we achieve our forecast production for each operation, which requires, among other things, that our mining plans succeed, processing plants are available and function as designed, we have sufficient tailings capacity and our reserve estimates are accurate
- we obtain or maintain the necessary permits and approvals from government authorities
- our production is not disrupted or reduced as a result of natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks

Material risks that could cause actual results to differ materially

- we do not achieve forecast production levels for each operation because of a change in our mining plans, processing plants are not available or do not function as designed, lack of tailings capacity or for other reasons
- we cannot obtain or maintain necessary permits or government approvals
- natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks disrupt or reduce our production

Uranium 2011 Q1 updates

Operating properties

McArthur River/Key Lake

Production update

At McArthur River, we decided to remove abandoned freezepipes from the new production chamber in zone 2, panel 5 prior to beginning production. This work resulted in lower ore deliveries to the Key Lake mill. To optimize production for the year, we rescheduled the maintenance outage at the Key Lake mill from the second quarter to the first quarter. We do not expect the change in the schedule to impact our production target for the year.

Operations update

At McArthur River, we began producing from the second raisebore chamber in zone 2, panel 5. We expect the addition of the second chamber will improve production efficiency.

At Key Lake, we began installing major equipment in the new oxygen plant. We also began mechanical, electrical and instrumentation work on the major equipment in the new acid and steam plants. We expect to complete and commission all three plants this year.

We are continuing to advance work on the environmental assessment for the Key Lake extension project and are working to maximize tailings capacity.

Rabbit Lake

Production update

Production is on track for the year. We expect to see large variations in mill production from quarter to quarter as we manage ore supply to ensure efficient operation of the mill.

Operations update

We continued preparing for the second phase of upgrades at the acid plant. We expect to complete this work during the planned maintenance shutdown later this year.

We received regulatory approval to begin exploration-related development and diamond drilling at the Eagle Point Powell zone later this year. This work will help us gain a better understanding of the potential of this zone.

Smith Ranch-Highland and Crow Butte

Production update

Production remains on schedule for the year.

Operations update

We continue to seek regulatory approvals to proceed with our Reynolds Ranch expansion and to expand and re-licence Crow Butte. We do not expect production to be impacted by these activities.

Inkai

Production update

Production is on track for the year.

Operations update

With the signing of the amendment to its resource use contract, Inkai received final approval to:

- increase annual production from blocks 1 and 2 to 3.9 million pounds of U₃O₈ (100% basis)
- undertake a five-year assessment program at block 3 to carry out delineation drilling, mineral resource estimation, construction and operation of a test leach facility, and completion of a feasibility study

Development project

Cigar Lake

In preparation for resuming shaft sinking, we began to freeze the ground around shaft 2. We also restarted freezing of the orebody from underground.

We continued to implement the surface freeze strategy and expect to begin drilling freezeholets from surface in the second quarter.

For the remainder of the year, we will focus on carrying out our plans and implementing the strategies we outlined in our annual MD&A.

In the technical report we filed in early 2010, we reported our share of the total capital cost for the Cigar Lake project as \$912 million. This included completion of the underground development and surface construction, and completion of modifications at the Rabbit Lake and McClean Lake mills. In addition, our 2010 annual MD&A provided a capital cost estimate of \$80 million to \$85 million for the implementation of the surface freeze strategy.

We are currently incorporating 2010 developments into our Cigar Lake mine plan, including our decision to proceed with the surface freeze strategy. Once we have completed this work, we will review and update our estimates including our capital cost estimate, production rampup schedule, operating cost estimate and mineral reserve and resource estimates. We plan to provide revised estimates and file an updated technical report in the third quarter.

We continue to target initial production in mid-2013.

Cigar Lake is a key part of our plan to double annual uranium production to 40 million pounds by 2018, and we are committed to bringing this valuable asset safely into production.

Projects under evaluation

Kintyre

We completed a mineral resource estimate during the first quarter. It is based on 355 historical diamond drillholes and 261 new diamond drillholes.

Mineral resources

As at March 31, 2011 (100% basis - only the last column shows our share)
(tonnes in thousands; pounds in millions)

Category	Tonnes	Grade % U ₃ O ₈	Content (lbs U ₃ O ₈)	Our share (lbs U ₃ O ₈)
Indicated	5,257.0	0.49	56.4	39.5
Inferred	505.0	0.47	5.3	3.7

To test the mineralization at depth, we drilled approximately 40 additional holes. We will incorporate the results of this drilling program in our mineral resource estimate once the program is complete.

We continue to advance the project toward a development decision using our stage gate process. See our annual MD&A for more information regarding the milestones for this project.

Millennium

We continue to advance the project toward a development decision using our stage gate process. See our annual MD&A for more information regarding the milestones for this project.

Fuel services 2011 Q1 updates

Port Hope conversion services
Cameco Fuel Manufacturing Inc.
Springfields Fuels Ltd.

Production update

Fuel services production totalled 4.3 million kgU this quarter, compared to 4.8 million kgU in the first quarter of 2010. We experienced operational issues at the Port Hope conversion facility which were resolved following a two week shutdown.

We expect total production to be between 15 million and 16 million kgU in 2011.

Qualified persons

The technical and scientific information discussed in this MD&A for our material properties (McArthur River/Key Lake, Inkai and Cigar Lake) was prepared under the supervision of the following individuals who are qualified persons for the purposes of NI 43-101:

McArthur River/Key Lake

- David Bronkhorst, vice-president, Saskatchewan mining south, Cameco
- Les Yesnik, general manager, Key Lake, Cameco

Cigar Lake

- Grant Goddard, vice-president, Saskatchewan mining north, Cameco

Inkai

- Charles Foldenauer, operations director, JV Inkai

Additional information

Related party transactions

We buy significant amounts of goods and services for our Saskatchewan mining operations from northern Saskatchewan suppliers to support economic development in the region. One of these suppliers is Points Athabasca Contracting Ltd. (PACL). In 2011, we paid PACL \$13.8 million for construction and contracting services during the first three months (2010 - \$3.6 million). These transactions were carried out in the normal course of business. A member of Cameco's board of directors is the president of PACL.

Critical Accounting Estimates

In our 2010 annual MD&A, we have identified the critical accounting estimates that reflect the more significant judgments used in the preparation of our financial statements. These estimates have not changed as a result of our adoption of IFRS. Please refer to notes 2 and 6 of our interim financial statements for a detailed description of our application of estimates and judgment in the preparation of our financial information.

Controls and procedures

As of March 31, 2011, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation and as of March 31, 2011, the Chief Executive Officer and Chief Financial Officer concluded that:

- the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under applicable securities laws is recorded, processed, summarized and reported as and when required
- such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

New accounting pronouncements

Financial Instruments

In October 2010, the IASB issued IFRS 9, *Financial instruments* (IFRS 9). This standard is effective for periods beginning on or after January 1, 2013 and is part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. We are assessing the impact of this new standard on our financial statements.

International financial reporting standards (IFRS)

Our three-phase implementation plan, described in our annual MD&A, is substantially complete. Effective January 1, 2011, we adopted IFRS for Canadian publicly accountable enterprises. Our interim financial statements for the first quarter of 2011 have been prepared in accordance IFRS including comparative amounts for 2010. Details of the accounting differences can be found in note 3 to our interim financial statements.

Although IFRS has a conceptual framework that is similar to previous Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The transition to the IFRS framework has resulted in several

changes to our accounting policies that impact our financial reporting. The following are the more significant accounting differences:

Asset impairment

Under Canadian GAAP, we used a two-step approach to test for impairment:

- We compared the carrying value of the asset with undiscounted future cash flows to see whether there was an impairment.
- If there was an impairment, we measured it by comparing the carrying value of the asset with its fair value.

International Accounting Standard (IAS) 36, *Impairment of Assets*, takes a one-step approach:

- Compare the carrying value of the asset with the higher of its fair value less costs to sell or its value in use.

The difference in accounting for asset impairment under IFRS could lead to greater volatility in reported earnings in future periods. The value-in-use test under IFRS uses discounted future cash flows, increasing the likelihood of asset impairment compared to the test under Canadian GAAP, which used undiscounted cash flow. IFRS also requires companies to reverse impairment losses (for everything except goodwill) if an impairment is reduced due to a change in circumstances. Canadian GAAP did not allow companies to reverse impairment losses. As at January 1, 2011, we have not recorded any impairment charges on transition to IFRS. We have, however, under IFRS reversed portions of impairment charges previously recorded. See *Opening statement of financial position and interim period financial results under IFRS* for more information.

Employee benefits

We amortized past service costs on a straight-line basis over the expected average remaining service life of the plan participants under Canadian GAAP.

IAS 19, *Employee Benefits*, requires companies to expense the past service cost component of defined benefit plans on an accelerated basis. Vested past service costs must be expensed immediately. Unvested past service costs must be recognized on a straight-line basis until the benefits vest. Companies will also recognize actuarial gains and losses directly in equity rather than through profit or loss.

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, also allows companies to recognize all cumulative actuarial gains and losses in retained earnings at the transition date and we have done so.

Share-based payments

We measured cash-settled, share-based payments to employees based on the intrinsic value of the award under Canadian GAAP. IFRS 2, *Share-Based Payments*, requires companies to measure payments at the award's fair value, both initially and at each reporting date.

Provisions (including asset retirement obligations)

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires companies to recognize a provision when:

- there is a present obligation due to a past transaction or event
- it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and
- the obligation can be reliably estimated

Canadian GAAP used the term 'likely' in its recognition criteria, which is a higher threshold than 'probable', so some contingent liabilities may be recognized under IFRS that were not previously recognized.

IFRS also measures provisions differently. For example:

- When there is a range of equally possible outcomes, IFRS uses the midpoint of the range as the best estimate, while Canadian GAAP used the low end of the range.
- Under IFRS, material provisions are discounted to their present value.

Joint ventures

Under Canadian GAAP, we proportionately accounted for interests in jointly controlled enterprises, such as our interest in BPLP. The IASB has indicated that it expects to issue a new standard in 2011 that will replace IAS 31, *Interests in Joint Ventures*. It is considering Exposure Draft 9, *Joint Arrangements* (ED 9), which proposes that an entity recognize its interest in a jointly controlled enterprise using the equity method. However, it is uncertain when

the new standard will become effective. Until then, we have elected under the current IFRS standard to continue to use the proportionate consolidation method to account for our interests in jointly controlled enterprises.

Income taxes

Under Canadian GAAP, we could not recognize deferred tax for a temporary difference that arises from intercompany transactions. We recorded the taxes related to these transactions as assets or liabilities, and then recognized them as a tax expense or recovery when the asset left the group or was otherwise used. IAS 12 requires entities to recognize deferred taxes for temporary differences that arise from intercompany transactions, and to recognize taxes paid or recovered in these transactions in the period incurred.

The IASB may address these differences in a fundamental review of income tax accounting at some time in the future, but this review is not likely to be soon.

First-time adoption of IFRS

IFRS 1 generally requires an entity to apply IFRS retrospectively at the end of its first IFRS reporting period, but there are some mandatory exceptions and some optional exemptions.

We analyzed the options available to us and have used the exemptions described in the table below. This is a summary of the most significant decisions relating to the transition to IFRS and IFRS 1 elections – it is not a complete list of decisions we were required or elected to make.

Business combinations	<p>There is an option to apply IFRS 3, <i>Business Combinations</i>, retrospectively or prospectively from a date no later than the transition date.</p> <p>We have elected to apply IFRS 3 prospectively to all business combinations that occur after January 1, 2010 except as required under IFRS 1.</p>
Fair value as deemed cost	<p>There is an option to choose to use the fair value of an item of property, plant and equipment as deemed cost at the transition date or a previous revaluation under Canadian GAAP as deemed cost under IFRS.</p> <p>We have elected not to use fair value as deemed cost on January 1, 2010. Instead, these items are reported at cost as determined under IFRS.</p>
Share-based payments	<p>There is an option to apply IFRS 2, <i>Share-Based Payments</i>, to all equity instruments granted on or before November 7, 2002, and to those granted after November 7, 2002 only if they had not vested by the transition date.</p> <p>We have elected to apply IFRS 2 to all equity instruments granted after November 7, 2002 that had not vested as of January 1, 2010, and to all liabilities arising from share-based payment transactions that existed at January 1, 2010.</p>
Borrowing costs	<p>There is an option to apply IAS 23, <i>Borrowing Costs</i>, retrospectively, using a date we specify, or to capitalize borrowing costs for all qualifying assets when capitalization begins on or after January 1, 2010.</p> <p>We have elected to apply IAS 23 prospectively. For all qualifying assets, we expensed the borrowing costs we were capitalizing before January 1, 2010, and will capitalize qualifying borrowing costs after that date.</p>
Employee benefits	<p>IAS 19, <i>Employee Benefits</i>, requires entities to defer or amortize certain actuarial gains and losses, subject to certain provisions (corridor approach), or to immediately recognize them in equity.</p> <p>We have elected to recognize cumulative actuarial gains and losses on benefit plans in retained earnings at January 1, 2010.</p>
Differences in currency translation	<p>IAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>, requires the retrospective calculation of currency translation differences from the date a subsidiary or associate was formed or acquired. IFRS 1 provides the option of resetting cumulative translation gains and losses to zero at the transition date.</p> <p>We have elected to reset all cumulative translation gains and losses to zero in retained earnings at January 1, 2010.</p>

Decommissioning liabilities

There is an option to apply International Financial Reporting Interpretations Committee 1 (IFRIC 1), *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, retrospectively or prospectively.

IFRIC 1 requires us to add or deduct a change in our obligations to dismantle, remove and restore items of property, plant and equipment from the cost of the asset it relates to. The adjusted amount is then depreciated prospectively over the asset's remaining useful life.

We have elected to adopt IFRIC 1 prospectively at January 1, 2010.

Opening statement of financial position and interim period financial results under IFRS

The following tables include our estimates of the most significant differences between our 2010 Canadian GAAP and our IFRS earnings for interim periods and statement of financial position under IFRS as at January 1, 2010.

The notes referenced in the tables are explained by the corresponding notes at the end of the tables.

2010 financial results

2010 changes in earnings (\$ millions)	Three months ended				2010
	Mar 31	Jun 30	Sep 30	Dec 31	
Net earnings – Canadian GAAP	142	68	98	207	515
Accounting differences					
Borrowing costs ¹	(10)	(11)	(11)	(11)	(43)
Decommissioning provision ²	(1)	2	1	2	4
In-process research & development ⁴	3	3	3	2	11
BPLP – pension and maintenance costs ¹⁰	-	8	(2)	-	6
Income taxes – tax effect on differences ⁹	2	-	1	1	4
Income taxes – IFRS accounting difference ⁹	6	-	8	6	20
All other	1	-	-	(2)	(1)
Total accounting differences	1	2	-	(2)	1
Net earnings – IFRS	143	70	98	205	516
Adjustments					
Unrealized losses (gains) on financial instruments	(31)	46	(18)	(16)	(19)
Adjusted net earnings (non-IFRS measure see pages 10 and 11)	112	116	80	189	497

Opening statement of financial position (January 1, 2010)

(\$Cdn Millions)	Canadian GAAP	Transitional adjustments	IFRS
Current assets			
Cash and cash equivalents	1,101	-	1,101
Short-term investments	203	-	203
Accounts receivable	447	1	448
Inventories	453	(8)	445
Supplies and prepaid expenses	169	-	169
Current portion of long-term receivables, investments and other	155	-	155
Total current assets	2,528	(7)	2,521
Property, plant and equipment (1, 2, 3, 10)			
	4,068	(351)	3,717
Intangible assets			
	98	-	98
Long-term receivables, investments and other (4, 5, 6)			
	667	(266)	401
Investments in equity-accounted investees (4)			
	-	222	222
Deferred tax assets (9)			
	33	(9)	24
Total non-current assets	4,866	(404)	4,462
Total assets	7,394	(411)	6,983
Current liabilities			
Accounts payable and accrued liabilities	492	2	494
Current tax liabilities	31	-	31
Short-term debt	88	-	88
Dividends payable	24	-	24
Current portion of finance lease obligation	12	-	12
Current portion of other liabilities	29	-	29
Current portion of provisions	-	16	16
Deferred tax liabilities (9)	87	(87)	-
Total current liabilities	763	(69)	694
Long-term debt			
	794	-	794
Finance lease obligation			
	159	-	159
Provision for reclamation			
	258	(258)	-
Other liabilities (5, 6, 10)			
	245	52	297
Provisions (2)			
	-	341	341
Deferred tax liabilities (9)			
	167	(59)	108
Total non-current liabilities	1,623	76	1,699
Minority interest			
	164	(164)	-
Shareholders' equity			
Share capital (8)	1,512	297	1,809
Contributed surplus	132	-	132
Retained earnings	3,159	(766)	2,393
Other components of equity (7)	41	51	92
Total shareholders equity attributable to equity holders	4,844	(418)	4,426
Non-controlling interest			
	-	164	164
Total shareholders' equity	4,844	(254)	4,590
Total liabilities and shareholders' equity	7,394	(411)	6,983

¹ We have elected under IFRS 1 not to apply IAS 23, *Borrowing Costs*, retrospectively to borrowing costs incurred on the construction of qualifying assets that commenced prior to January 1, 2010. Accordingly, we have expensed all borrowing costs that had been previously capitalized under Canadian GAAP. New guidance from the IASB is pending and it is possible that our accounting may change as a result. At January 1, 2010, the effect was a \$334 million decrease in property, plant and equipment and a corresponding decrease in retained earnings.

² We have elected under IFRS 1 to apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, prospectively to changes in decommissioning liabilities that occurred prior to January 1, 2010. No new liabilities were recognized as a result of the transition to IFRS. However, the measurement of existing liabilities according to the IFRS standards provides a different result. At January 1, 2010, the effect was a \$57 million increase in provisions, a \$53 million decrease in property, plant and equipment and a \$110 million decrease in retained earnings.

The foregoing adjustments to opening balances under IFRS resulted in a decrease in depreciation expenses relative to amounts recorded under Canadian GAAP in 2010.

³ IFRS requires the reversal of any previously recorded impairment losses where circumstances have changed such that the impairments had been reduced. We reviewed our previously recorded impairment losses and reversed a portion of the charges relating to certain of our in situ recovery mine assets located in the United States. At January 1, 2010, the effect was a \$35 million increase in property, plant and equipment with a corresponding increase in retained earnings.

⁴ Under IFRS, in-process research and development (IPR&D) that meets the definition of an intangible asset is capitalized with amortization commencing when the asset is ready for use (i.e. when development is complete). Under Canadian GAAP, we have been amortizing IPR&D related to the acquisition of our interest in GE-Hitachi Global Laser Enrichment LLC, a development stage entity. We reversed cumulative amounts as at January 1, 2010. At January 1, 2010, the effect was a \$19 million increase to investments in equity accounted investees and a corresponding increase in retained earnings.

In calculating our earnings under IFRS for 2010, we reversed the full amount amortized under Canadian GAAP.

⁵ We have elected under IFRS 1 to reclassify all cumulative actuarial gains and losses for all defined benefit plans existing at January 1, 2010 to retained earnings at that date. At January 1, 2010, the effect was a \$2 million decrease in long-term receivables, investments and other, a \$12 million decrease in other liabilities and a corresponding \$14 million decrease in retained earnings.

⁶ As a result of BPLP also transitioning to IFRS, we have recorded our share of BPLP's transition adjustments. The most significant of BPLP's IFRS transition adjustments results from cumulative actuarial losses. BPLP reclassified cumulative actuarial losses for all defined benefit plans existing at January 1, 2010 to retained earnings at that date. The effect was a \$61 million decrease in long-term receivables and investments and other, and a \$76 million increase in other liabilities and a corresponding decrease in retained earnings.

⁷ We have elected under IFRS 1 to deem all foreign currency translation differences that exist at the date of transition to IFRS to be zero at the date of transition. At January 1, 2010, the effect was a \$50 million adjustment to the cumulative translation adjustment account and a corresponding decrease in retained earnings.

⁸ Under IFRS, we have concluded that our convertible debentures issued in 2003 and settled in 2008 be treated as a hybrid instrument with a debt component and a conversion feature to be accounted for as a derivative. A derivative is required to be measured at fair value at each reporting date with changes in value being recorded in earnings. For purposes of our IFRS transition, we have measured the fair value of the conversion feature as at the redemption date and recorded a \$297 million increase in share capital offset by a corresponding decrease in retained earnings.

⁹ As a result of the changes in our opening balances on transition to IFRS, we reduced our deferred tax liabilities by \$138 million.

For our 2010 earnings under IFRS, the adjustments relating to income tax expense reflect the tax effects of other adjustments as well as an IFRS accounting difference related to intra-group transactions. Under IFRS, deferred tax

assets and liabilities are recognized for intra-group transactions whereas Canadian GAAP allowed for the recognition of deferred tax assets and liabilities only when the transaction was with a third party.

¹⁰ On transition to IFRS all actuarial losses were reclassified to retained earnings. Under IFRS, future actuarial gains and losses will be recognized through other comprehensive income to equity. Under Canadian GAAP, we amortized the actuarial losses related to our interest in BPLP. As well, under IFRS, the costs of major inspections are capitalized and amortized over the period to the next inspection. Under Canadian GAAP, we expensed the inspection costs related to our interest in BPLP.

Other updates

We have assessed the impact of the IFRS transition on our internal control over financial reporting and on our disclosure controls and procedures. Changes in accounting policies or business processes require additional controls or procedures to ensure the integrity of our financial disclosures. We have completed the design and implementation of the new controls. The transition to IFRS has not required any changes in our internal controls over financial reporting or our disclosure controls and procedures that have materially affected them or are reasonably likely to materially affect them.

We have also evaluated the impact of IFRS on our business activities in general. As a result, we believe the adoption of IFRS has not had a material effect on our risk management practices, hedging activities, capital requirements, compensation arrangements, compliance with debt covenants or other contractual commitments.

Cameco Corporation
Consolidated Statements of Earnings
(Unaudited)
(\$Cdn Thousands, except per share amounts)

	Note	Three Months Ended Mar 31/11	Mar 31/10
Revenue from products and services		\$454,260	\$484,716
Cost of products and services sold		268,723	248,940
Depreciation, depletion and amortization		49,113	52,178
Cost of sales		317,836	301,118
Gross profit		136,424	183,598
Administration		33,763	30,952
Exploration		17,826	15,167
Research and development		994	688
Cigar Lake remediation		3,052	2,712
Loss (gain) on sale of assets		(25)	234
Earnings from operations		80,814	133,845
Finance costs	12	(19,857)	(22,330)
Gains on derivatives	17	23,729	42,626
Finance income		6,652	3,744
Share of loss from equity-accounted investees		(2,691)	(974)
Other income		4,623	2,005
Earnings before income taxes		93,270	158,916
Income tax expense	13	3,807	16,632
Net earnings		\$89,463	\$142,284
Net earnings (loss) attributable to:			
Equity holders		\$91,487	\$143,169
Non-controlling interest		(2,024)	(885)
Net earnings		\$89,463	\$142,284
Earnings per common share attributable to equity holders			
Basic	18	\$0.23	\$0.36
Diluted	18	\$0.23	\$0.36

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated Statements of Comprehensive Income
(Unaudited)
(\$Cdn Thousands)

	Note	Three Months Ended	
		Mar 31/11	Mar 31/10
Net earnings		\$89,463	\$142,284
Other comprehensive income (loss), net of taxes	13		
Exchange differences on translation of foreign operations		(23,380)	(29,166)
Gains on derivatives designated as cash flow hedges		1,611	15,768
Gains on derivatives designated as cash flow hedges transferred to net earnings		(6,131)	(15,462)
Unrealized gains on available-for-sale securities		467	883
Gains on available-for-sale securities transferred to net earnings		(1,835)	(2,627)
Other comprehensive loss, net of taxes		(29,268)	(30,604)
Total comprehensive income		\$60,195	\$111,680
Other comprehensive loss attributable to:			
Equity holders		\$(26,958)	\$(29,174)
Non-controlling interest		(2,310)	(1,430)
Other comprehensive loss for the period		\$(29,268)	\$(30,604)
Total comprehensive income (loss) attributable to:			
Equity holders		\$64,529	\$113,995
Non-controlling interest		(4,334)	(2,315)
Total comprehensive income for the period		\$60,195	\$111,680

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated Statements of Financial Position
(Unaudited)
(\$Cdn Thousands)

	Note	As At		As At
		Mar 31/11	Dec 31/10	Jan 1/10
Assets				
Current assets				
Cash and cash equivalents		\$367,723	\$376,621	\$1,101,229
Short-term investments		1,015,664	883,032	202,836
Accounts receivable	23	206,090	448,479	448,586
Current tax assets		51,096	42,190	-
Inventories	7	601,203	533,090	444,837
Supplies and prepaid expenses		184,697	190,079	169,005
Current portion of long-term receivables and other	8	99,740	91,447	154,725
Total current assets		2,526,213	2,564,938	2,521,218
Property, plant and equipment				
Intangible assets	24	4,003,647	3,954,647	3,716,774
Long-term receivables, investments and other	25	93,232	94,270	97,713
Investments in equity-accounted investees	8	311,139	342,675	400,777
Deferred tax assets	26	213,714	220,430	222,564
		28,534	25,594	24,011
Total non-current assets		4,650,266	4,637,616	4,461,839
Total assets		\$7,176,479	\$7,202,554	\$6,983,057
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	27	\$353,013	\$387,431	\$494,082
Current tax liabilities		12,081	35,042	31,143
Short-term debt		83,284	85,588	87,506
Dividends payable		39,470	27,605	23,570
Current portion of finance lease obligation		13,588	13,177	11,629
Current portion of other liabilities	9	30,852	28,228	29,297
Current portion of provisions	28	18,872	19,394	16,301
Total current liabilities		551,160	596,465	693,528
Long-term debt				
Finance lease obligation		794,646	794,483	793,842
Other liabilities	9	142,232	145,834	159,011
Provisions	28	398,302	405,477	298,391
Deferred tax liabilities		363,825	365,573	340,528
		24,086	26,270	107,657
Total non-current liabilities		1,723,091	1,737,637	1,699,429
Shareholders' equity				
Share capital		1,841,561	1,833,257	1,809,861
Contributed surplus		144,528	142,376	131,577
Retained earnings		2,742,201	2,690,184	2,392,940
Other components of equity		(2,462)	24,496	91,682
Total shareholders' equity attributable to equity holders		4,725,828	4,690,313	4,426,060
Non-controlling interest				
		176,400	178,139	164,040
Total shareholders' equity		4,902,228	4,868,452	4,590,100
Total liabilities and shareholders' equity		\$7,176,479	\$7,202,554	\$6,983,057

Commitments and contingencies [notes 13,16,28]

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated Statements of Changes in Equity

(Unaudited)
(\$Cdn Thousands)

	Attributable to equity holders							Non-Controlling Interest	Total Equity
	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation	Cash Flow Hedges	Available-For-Sale Assets	Total		
Balance at January 1, 2011	\$1,833,257	\$142,376	\$2,690,184	\$(7,603)	\$30,306	\$1,793	\$4,690,313	\$178,139	\$4,868,452
Total comprehensive income for the period	-	-	91,487	(21,070)	(4,520)	(1,368)	64,529	(4,334)	60,195
Stock-based compensation	-	8,095	-	-	-	-	8,095	-	8,095
Share options exercised	8,304	(5,943)	-	-	-	-	2,361	-	2,361
Transactions with owners - contributed equity	-	-	-	-	-	-	-	2,595	2,595
Dividends	-	-	(39,470)	-	-	-	(39,470)	-	(39,470)
Balance at March 31, 2011	\$1,841,561	\$144,528	\$2,742,201	\$(28,673)	\$25,786	\$425	\$4,725,828	\$176,400	\$4,902,228
Balance at January 1, 2010	1,809,861	131,577	2,392,940	-	89,457	2,225	4,426,060	164,040	4,590,100
Total comprehensive income for the period	-	-	143,169	(27,736)	306	(1,744)	113,995	(2,315)	111,680
Stock-based compensation	-	4,997	-	-	-	-	4,997	-	4,997
Share options exercised	1,711	(201)	-	-	-	-	1,510	-	1,510
Transactions with owners - contributed equity	-	-	-	-	-	-	-	927	927
Dividends	-	-	(27,508)	-	-	-	(27,508)	-	(27,508)
Balance at March 31, 2010	\$1,811,572	\$136,373	\$2,508,601	\$(27,736)	\$89,763	\$481	\$4,519,054	\$162,652	\$4,681,706

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated Statements of Cash Flows

(Unaudited)
(\$Cdn Thousands)

	Note	Three Months Ended	
		Mar 31/11	Mar 31/10
Operating activities			
Net earnings		\$89,463	\$142,284
Adjustments for:			
Depreciation, depletion and amortization		49,113	52,178
Deferred charges		(3,726)	(6,839)
Unrealized (gains) losses on derivatives		(5,634)	12,432
Share-based compensation	15	8,095	4,997
Loss (gain) on sale of assets		(25)	234
Finance costs	12	19,857	22,330
Finance income		(6,652)	(3,744)
Share of loss from equity-accounted investees		2,691	974
Other income		(4,623)	(2,005)
Income tax expense	13	3,807	16,632
Interest received		3,975	2,149
Income taxes paid		(38,674)	(47,760)
Other operating items	14	148,364	(47,635)
Net cash provided by operations		266,031	146,227
Investing activities			
Additions to property, plant and equipment		(123,827)	(81,017)
Purchase of short-term investments		(131,973)	(757,894)
Decrease (increase) in long-term receivables, investments and other		27,835	(6,054)
Proceeds from sale of property, plant and equipment		25	5,425
Net cash used in investing		(227,940)	(839,540)
Financing activities			
Decrease in debt		(3,824)	(3,413)
Interest paid		(24,195)	(24,417)
Contributions from non-controlling interest		4,243	2,428
Proceeds from issuance of shares, stock option plan		6,779	1,511
Dividends paid		(27,605)	(23,571)
Net cash used in financing		(44,602)	(47,462)
Decrease in cash during the period		(6,511)	(740,775)
Exchange rate changes on foreign currency cash balances		(2,387)	(2,684)
Cash and cash equivalents at beginning of period		376,621	1,101,229
Cash and cash equivalents at end of period		\$367,723	\$357,770
Cash and cash equivalents is comprised of:			
Cash		\$82,888	\$47,561
Cash equivalents		284,835	310,209
		\$367,723	\$357,770

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended March 31, 2011 comprise Cameco Corporation and its subsidiaries (collectively, the “Company” or “Cameco”) and the Company’s interest in associates and joint ventures. The Company is 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. Cameco has a 31.6% interest in Bruce Power L.P. (BPLP), which operates the four Bruce B nuclear reactors in Ontario.

2. Significant Accounting Policies

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These are the Company’s first condensed consolidated interim financial statements for part of the period covered by the first annual financial statements prepared under International Financial Reporting Standards (“IFRS”) and IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS and IFRS Interpretations Committee (“IFRIC”) interpretations that the Company expects to be applicable at that time.

The Company’s consolidated financial statements for the year ended December 31, 2010 were previously prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). As these are the Company’s first consolidated financial statements in accordance with IFRS, the comparative figures for 2010 were recast and an explanation of how the transition from Canadian GAAP to IFRS has affected the financial statements of the Company is provided in note 3. Certain disclosures in addition to the minimum disclosure requirements under IAS 34 were added in order to highlight the changes from the Company’s 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the condensed consolidated interim financial statements as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

These condensed consolidated interim financial statements were authorized for issuance by the Company’s Board of Directors on May 5, 2011.

(b) Basis of Presentation

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except where otherwise noted.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position: derivative financial instruments are measured at fair value, available-for-sale financial assets are measured at fair value, liabilities for cash-settled share-based payment arrangements are measured at fair value and the defined benefit asset is recognized as the net total of the plan assets.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6.

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these condensed consolidated interim financial statements and is presented to assist the reader in interpreting the statements contained herein. These accounting policies have been applied consistently to all entities within the consolidated group and to all periods presented in these condensed consolidated interim financial statements.

(c) Consolidation Principles

(i) Business Combinations

Acquisitions on or after January 1, 2010

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. For acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. In a business combination achieved in stages, the acquisition date fair value of the Company's previously held equity interest in the acquiree is also considered in computing goodwill.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred and equity interests issued by the Company. Consideration also includes the fair value of any contingent consideration and share-based compensation awards that are replaced mandatorily in a business combination.

The Company elects on a transaction-by-transaction basis whether to measure any non-controlling interest at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Acquisition-related costs are expensed as incurred, except for those costs related to the issue of debt or equity instruments.

Acquisitions before January 1, 2010

As part of its transition to IFRS, the Company elected, under IFRS 1, to restate only those business combinations that occurred on or after January 1, 2010.

(ii) Subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies in order to obtain benefits from their activities. Control generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Company.

(iii) Investments in Associates (Equity-Accounted Investees)

Associates are those entities over which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity, but can also arise where the Company holds less than 20 percent if it has the power to be actively involved and influential in policy decisions affecting the entity.

Investments in associates are accounted for using the equity method. The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for Cameco's proportionate share of the earnings or loss and any other changes in the associates' net assets, such as dividends. The cost of the investment includes transaction costs.

Adjustments are made to align the accounting policies of the associate with those of the Company before applying the equity method. When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, Cameco resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

(iv) Interests in Joint Ventures

A joint venture can take the form of a jointly controlled entity, jointly controlled operation or jointly controlled asset. All joint ventures involve a contractual arrangement that establishes joint control. Cameco's joint ventures consist of jointly controlled entities and jointly controlled assets.

A jointly controlled entity is an entity in which Cameco shares joint control over the strategic financial and operating decisions with one or more venturers through the establishment of a corporation, partnership or other entity. A jointly controlled asset involves joint control of one or more of the assets acquired or contributed for the purpose of the joint venture. Each venturer receives a share of the output from the assets and bears an agreed upon share of the expenses.

All joint ventures are accounted for using the proportionate consolidation method. Cameco's proportionate share of the assets, liabilities, revenues, expenses and cash flows of the joint venture are included in the consolidated financial statements.

(v) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees and joint ventures are eliminated against the investment to the extent of the Company's interest in the associate or the joint venture. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Foreign Currency Translation

Items included in the financial statements of each of Cameco's subsidiaries, associates and jointly controlled entities are measured using their functional currency, which is the currency of the primary economic environment in which the entity operates. The condensed consolidated interim financial statements are presented in Canadian dollars, which is Cameco's functional and presentation currency.

(i) Foreign Currency Transactions

Foreign currency transactions are translated into the respective functional currency of the Company entities using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, in whole or in part, the relevant amount in the foreign currency translation reserve is transferred to earnings as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation, are recognized in other comprehensive income and presented within equity in the foreign currency translation account.

(e) Cash and Cash Equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in money market instruments, which have a term to maturity of three months or less at the time of purchase.

(f) Inventories

Inventories of broken ore, uranium concentrates, and refined and converted products are measured at the lower of cost and net realizable value.

Cost includes direct materials, direct labour, operational overhead expenses and depreciation. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(g) Property, Plant and Equipment

(i) Buildings, plant and equipment and other

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment charges. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs and any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, including the initial estimate of the cost of dismantling and removing the items and restoring the site on which they are located.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in earnings.

(ii) Mineral properties and mine development costs

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 as part of assets under construction and disclosed as a component of property, plant and equipment with the intention that these will be depreciated by charges against earnings from future mining operations. No depreciation 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 depreciated over the remaining life of the related assets.

(iii) Depreciation and depletion

Depreciation is calculated over the depreciable amount, which is the cost of the asset less its residual value. Assets, which are unrelated to production, are depreciated according to the straight-line method based on estimated useful lives as follows:

Buildings	15 - 25 years
Plant and equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	3 - 5 years

Mining properties and certain mining and conversion assets for which the economic benefits from the asset are consumed in a pattern which is linked to the production level are depreciated or depleted according to the unit-of-production method. For conversion assets, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining assets and properties, the amount of depreciation or depletion is measured by the portion of the mines' proven and probable mineral reserves recovered during the period.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iv) Borrowing costs

Borrowing costs on funds directly attributable to finance the acquisition, production or construction of a qualifying asset are capitalized until such time as substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. A qualifying asset is one that takes a substantial period of time to prepare for its intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases. Where the funds used to finance a project form part of general borrowings, interest is capitalized based on the weighted-average interest rate applicable to the general borrowings outstanding during the period of construction.

Borrowing costs are capitalized on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

(v) Repairs and maintenance

The cost of replacing a part of an item of property, plant and equipment is capitalized if it is probable that future economic benefits embodied within the part will flow to the Company. The carrying amount of the replaced part is derecognized. Costs of routine maintenance and repair are charged to products and services sold.

(vi) Leased assets

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

(h) Intangible Assets

Intangible assets acquired individually or as part of a group of assets are initially recognized at cost and measured subsequently at cost less accumulated amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Finite-lived intangible assets are amortized over the estimated production profile of the business unit to which they relate, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Leased Assets

Leases which result in the Company receiving substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease agreements that do not meet the recognition criteria of a finance lease are classified and recognized as operating leases and are not recognized in the Company's statement of financial position. Payments made under operating leases are charged to income on a straight-line basis over the lease term. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period of the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

(j) Finance Income and Finance Costs

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets. Interest income is recognized in earnings as it accrues, using the effective interest method. Finance costs comprise interest expense of borrowings, unwinding of the discount on provisions and changes in the fair value of financial assets.

Borrowing costs are capitalized when such costs are attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use. Other borrowing costs that are not directly attributable to qualifying assets are expensed in the period incurred.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or loss position.

(k) Impairment

(i) Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in equity, to earnings. The cumulative loss that is removed from other comprehensive income and recognized in earnings is the difference between the acquisition cost, net of any principal payment and amortization, and the current fair value, less any impairment loss previously recognized in earnings. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-Financial Assets

The carrying amounts of Cameco's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different than those used in calculating fair value and consequently the value in use calculation is likely to give a different result (usually lower) than a fair value calculation. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date whenever events or changes in circumstances indicate that the impairment may have reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in earnings.

(l) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. These expenditures are charged against earnings as incurred.

Exploration and evaluation costs that have been acquired in a business combination or asset acquisition are capitalized under the scope of IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and are reported as part of property, plant, and equipment.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(i) Environmental Restoration

The mining, extraction and processing activities of the Company normally give rise to obligations for site closure or environmental restoration. Closure and restoration can include facility decommissioning and dismantling, removal or treatment of waste materials, as well as site and land restoration. The Company provides for the closure, reclamation and decommissioning of its operating sites in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. Costs included in the provision comprise all closure and restoration activity expected to occur gradually over the life of the operation and at the time of closure. Routine operating costs that may impact the ultimate closure and restoration activities, such as waste material handling conducted as a normal part of a mining or production process, are not included in the provision.

The timing of the actual closure and restoration expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating license conditions and the environment in which the mine operates. Closure and restoration provisions are measured at the expected value of future cash flows, discounted to their present value using a current risk free rate. Significant judgments and estimates are involved in deriving the expectations of future activities and the amount and timing of the associated cash flows.

At the time a provision is initially recognized, to the extent that it is probable that future economic benefits associated with the reclamation, decommissioning and restoration expenditure will flow to the Company, the corresponding cost is capitalized as an asset. The capitalized cost of closure and restoration activities is recognized in property, plant and equipment and depreciated on a units-of-production basis. The value of the provision is gradually increased over time as the effect of discounting unwinds. The unwinding of the discount is an expense recognized in finance costs.

Closure and rehabilitation provisions are also adjusted for changes in estimates. The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in estimated cash flows or discount rates, and the adjusted cost of the asset is depreciated prospectively.

(ii) Waste Disposal

The refining, conversion and manufacturing processes generate certain uranium-contaminated waste. The Company has established strict procedures to ensure this waste is disposed of safely. A provision for waste disposal costs in respect of these materials is recognized when they are generated. Costs associated with the disposal, the timing of cash flows and discount rates are estimated both at initial recognition and subsequent measurement.

(n) Employee Future Benefits

(i) Pension Obligations

The Company accrues its obligations under employee benefit plans. The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan other than a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually, by qualified actuaries using the projected unit credit 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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income, and reports them in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in earnings.

For defined contribution plans, the contributions are recognized as employee benefit expense in earnings in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other Post-Retirement Benefit Plans

The Company provides certain post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Short-Term Employee Benefits

Short-term employee obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Cameco recognizes termination benefits as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

(v) Share-Based Compensation

The Company has five share-based compensation plans that are described in note 22 of the 2010 consolidated financial statements. In addition to an employee share ownership plan, these encompass a stock option plan and a performance share unit plan, both of which are equity-settled. There is also a deferred share unit plan and a phantom stock option plan, both of which are cash-settled.

For the equity-settled plans, the grant date fair value of share-based compensation awards granted to employees is recognized as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For the cash-settled plans, the fair value of the amount payable to employees is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as employee benefit expense in earnings.

Cameco's contributions under the employee share ownership plan are expensed during the year of contribution. Shares purchased with company contributions and with dividends paid on such shares, become unrestricted on January 1 of the second plan year following the date on which such shares were purchased.

(o) Revenue Recognition

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

Cameco recognizes revenue on the sale of its nuclear products when the risks and rewards of ownership pass to the customer and collection is reasonably assured. Cameco's sales are pursuant to an enforceable contract that indicates the type of sales arrangement, pricing and delivery terms, as well as details related to the transfer of title.

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, the risks and rewards of ownership have been transferred and Cameco invoices the customer and recognizes revenue for the uranium supply.

Toll Conversion Services

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

Conversion Supply

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

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

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

(p) Financial Instruments

(i) Financial Assets and Financial Liabilities

Financial assets include cash and cash equivalents, trade receivables, other receivables, loans, other investments and derivative financial instruments. The Company determines the classification of its financial assets at initial recognition and records the assets at the fair value of consideration paid. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognized directly in equity unless the financial assets have been designated as being held at fair value through profit or loss, in which case the gains and losses are recognized directly in net earnings.

All financial liabilities are initially recognized at the fair value of consideration received net of transaction costs and subsequently carried at amortized cost. Financial liabilities include trade and other payables, debt and derivative financial instruments. The Company determines the classification of its financial liabilities at initial recognition.

The Company has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. This category of financial assets includes trade and other receivables.

Cash and cash equivalents consist of balances with financial institutions and investments in money market instruments, which have a term to maturity of three months or less at time of purchase.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired, then the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company has the following non-derivative financial liabilities: loans and accounts payable. Such liabilities are carried at amortized cost using the effective interest method if the time value of money is significant.

(ii) Derivative Financial Instruments

The Company holds derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. All derivative instruments are recorded at fair value in the consolidated statements of financial position, except for those designated as hedging instruments.

The purpose of hedging transactions is to modify the Company's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash inflows attributable to, the hedged item and the hedging item. When hedge accounting is appropriate, the hedging relationship is designated as a fair value hedge, a cash flow hedge, or a foreign currency risk hedge related to a net investment in a foreign operation.

At the inception of a hedging relationship, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For fair value hedges, changes in the fair value of the derivatives and corresponding changes in fair value of the hedged items attributed to the risk being hedged are recognized in earnings. For cash flow hedges, the effective portion of the changes in the fair values of the derivative instruments are recorded in other comprehensive income until the hedged items are recognized in earnings. Derivative instruments that do not qualify for hedge accounting, or are not designated as hedging instruments, are marked-to-market and the resulting net gains or losses are recognized in earnings.

Separable embedded derivatives

Derivatives may be embedded in other financial instruments (the “host instrument”). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivatives.

(q) Income Tax

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company’s exposure to uncertain tax positions is evaluated and a provision is made where this exposure is considered to be more likely than not to materialize. Accrued interest and penalties for uncertain tax positions are recognized in the period in which uncertainties are identified.

(r) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects.

(s) Earnings Per Share

The Company presents basic and diluted earnings per share data for its common shares. Earnings per share is calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of common shares outstanding.

Diluted earnings per share is determined by adjusting the net earnings attributable to equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation of diluted earnings per share assumes that outstanding options which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

(t) Segment Reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other segments.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. Explanation of Transition to IFRS

As stated in note 2(a), these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The accounting policies set out in note 2 have been applied for all periods presented in the condensed consolidated interim financial statements for the period ended March 31, 2011.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial statements is set out in the following tables and the notes that accompany the tables.

Elected IFRS 1 exemptions applicable to the presentation of the internal opening IFRS financial position

Cameco has elected and applied the following IFRS 1 exemptions:

- (i) Borrowing costs** – IFRS 1 provides the option to apply IAS 23, *Borrowing Costs* (“IAS 23”), prospectively from the transition date to IFRS (January 1, 2010), or from a particular pre-transition date elected by the first time adopter. Borrowing costs may be capitalized on qualifying assets for which the commencement date for capitalization was on or after the date selected. The Company elected to apply IAS 23 prospectively from the date of transition to IFRS. Based on this election, Cameco expensed the borrowing costs capitalized before January 1, 2010 under Canadian GAAP and will capitalize borrowing costs incurred on qualifying assets for which the commencement date for capitalization is subsequent to January 1, 2010.
- (ii) Decommissioning liabilities** – The application of IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* (“IFRIC 1”), would require the Company to recalculate, retrospectively, the effect of each change in its reclamation provision prior to the date of transition, along with the impact on the related assets and depreciation. IFRS 1 provides the option to instead measure the liability and related depreciation effects as at the date of transition to IFRS. Cameco has elected to apply this exemption and calculated the impact on the statement of financial position as of January 1, 2010.
- (iii) Employee benefits** – IAS 19, *Employee Benefits* (“IAS 19”), requires extensive disclosures in respect of defined benefit plans. IFRS 1 provides an optional exemption that permits the first-time adopter to elect to provide these disclosures prospectively from the date of transition. The Company has elected to apply this exemption and will provide the full disclosures required by IAS 19 in its first annual consolidated financial statements prepared under IFRS.
- (iv) Share-based compensation** – IFRS 2, *Share-Based Payments* (“IFRS 2”), encourages application of its provisions to liabilities arising from cash-settled transactions that were settled before the transition date but only requires application to those transactions that will be settled after the transition date. The Company elected to apply IFRS 2 only to liabilities arising from share-based compensation transactions that existed at January 1, 2010.
- (v) Business combinations** – The application of IFRS 3, *Business Combinations* (“IFRS 3”), requires the restatement of all past business combinations in accordance with IFRS 3. IFRS 1 provides the option to apply IFRS 3 prospectively from the transition date, or from a particular pre-transition date elected by the Company. The Company elected to not restate any past business combinations and to apply IFRS 3 prospectively from the transition date.
- (vi) Cumulative translation differences** – IAS 21, *The Effects of Changes in Foreign Exchange Rates*, would require the Company to calculate currency translation differences retrospectively, from the date a subsidiary or associate was formed or acquired. IFRS 1 provides the option of resetting cumulative translations gains and losses to zero at the transition date. The Company elected to reset cumulative translations losses to zero through opening retained earnings at the transition date.

Reconciliation of Equity at January 1, 2010 and December 31, 2010

	Cdn GAAP	Jan 1, 2010 effect of transition	IFRS	Cdn GAAP	Dec 31, 2010 effect of transition	IFRS
Assets						
Current assets						
Cash and cash equivalents	\$1,101,229	\$ -	\$1,101,229	\$376,621	\$ -	\$376,621
Short-term investments	202,836	-	202,836	883,032	-	883,032
Accounts receivable (a)	446,722	1,864	448,586	447,404	1,075	448,479
Current tax assets	-	-	-	42,190	-	42,190
Inventories (b),(d)	453,224	(8,387)	444,837	542,526	(9,436)	533,090
Supplies and prepaid expenses	169,005	-	169,005	190,079	-	190,079
Current portion of long-term receivables, and other	154,725	-	154,725	91,447	-	91,447
Total current assets	2,527,741	(6,523)	2,521,218	2,573,299	(8,361)	2,564,938
Property, plant and equipment (a),(b),(c),(d),(e),(k)	4,068,103	(351,329)	3,716,774	4,337,809	(383,162)	3,954,647
Intangible assets	97,713	-	97,713	94,270	-	94,270
Long-term receivables, investments, other (a),(f),(g)	667,287	(266,510)	400,777	628,824	(286,149)	342,675
Investments in equity-accounted investees (f),(h)	-	222,564	222,564	-	220,430	220,430
Deferred tax assets (p),(q),(r)	33,017	(9,006)	24,011	37,166	(11,572)	25,594
Total non-current assets	4,866,120	(404,281)	4,461,839	5,098,069	(460,453)	4,637,616
Total assets	\$7,393,861	\$(410,804)	\$6,983,057	\$7,671,368	\$(468,814)	\$7,202,554
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable and accrued liabilities (a),(i)	\$492,777	\$1,305	\$494,082	\$386,396	\$1,035	\$387,431
Current tax liabilities	31,143	-	31,143	35,042	-	35,042
Short-term debt	87,506	-	87,506	85,588	-	85,588
Dividends payable	23,570	-	23,570	27,605	-	27,605
Current portion of finance lease obligation	11,629	-	11,629	13,177	-	13,177
Current portion of other liabilities	29,297	-	29,297	28,228	-	28,228
Current portion of provisions (a),(b),(j),(k),(l)	-	16,301	16,301	-	19,394	19,394
Deferred tax liabilities (p),(q),(r)	87,135	(87,135)	-	28,674	(28,674)	-
Total current liabilities	763,057	(69,529)	693,528	604,710	(8,245)	596,465
Long-term debt	793,842	-	793,842	794,483	-	794,483
Finance lease obligation	159,011	-	159,011	145,834	-	145,834
Provision for reclamation (j)	258,277	(258,277)	-	279,653	(279,653)	-
Other liabilities (a),(g),(j)	244,433	53,958	298,391	244,179	161,298	405,477
Provisions (a),(b),(j),(k),(l)	-	340,528	340,528	-	365,573	365,573
Deferred tax liabilities (p),(q),(r)	167,373	(59,716)	107,657	208,044	(181,774)	26,270
Total non-current liabilities	1,622,936	76,493	1,699,429	1,672,193	65,444	1,737,637
Minority interest (o)	164,040	(164,040)	-	178,139	(178,139)	-
Shareholders' equity						
Share capital (m)	1,512,461	297,400	1,809,861	1,535,857	297,400	1,833,257
Contributed surplus	131,577	-	131,577	142,376	-	142,376
Retained earnings (s)	3,158,506	(765,566)	2,392,940	3,563,089	(872,905)	2,690,184
Other components of equity (b),(d),(g),(h),(k),(n),(p),(r)	41,284	50,398	91,682	(24,996)	49,492	24,496
Total shareholders' equity attributable to equity holders	4,843,828	(417,768)	4,426,060	5,216,326	(526,013)	4,690,313
Non-controlling interest (o)	-	164,040	164,040	-	178,139	178,139
Total shareholders' equity	4,843,828	(253,728)	4,590,100	5,216,326	(347,874)	4,868,452
Total liabilities and shareholders' equity	\$7,393,861	\$(410,804)	\$6,983,057	\$7,671,368	\$(468,814)	\$7,202,554

Reconciliation of Equity at March 31, 2010

	Cdn GAAP	Mar 31, 2010 effect of transition	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$357,770	\$ -	\$357,770
Short-term investments	960,397	-	960,397
Accounts receivable (a)	314,193	1,232	315,425
Inventories (b),(d)	468,360	(10,707)	457,653
Supplies and prepaid expenses (a)	146,622	1,864	148,486
Current portion of long-term receivables, and other	154,960	-	154,960
Total current assets	2,402,302	(7,611)	2,394,691
Property, plant and equipment (a),(c),(d),(e),(k)	4,080,254	(365,155)	3,715,099
Intangible assets	96,970	-	96,970
Long-term receivables, investments, other (a),(f),(g)	675,280	(255,191)	420,089
Investments in equity-accounted investees (f),(h)	-	214,531	214,531
Deferred tax assets (p),(q),(r)	34,185	(9,303)	24,882
Total non-current assets	4,886,689	(415,118)	4,471,571
Total assets	\$7,288,991	\$(422,729)	\$6,866,262
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (a),(i)	\$293,608	\$1,161	\$294,769
Current tax liabilities	11,969	-	11,969
Short-term debt	84,601	-	84,601
Dividends payable	27,508	-	27,508
Current portion of finance lease obligation	11,976	-	11,976
Current portion of other liabilities	43,885	-	43,885
Current portion of provisions (a),(b),(j),(k),(l)	-	18,790	18,790
Deferred tax liabilities (p),(q),(r)	60,933	(60,933)	-
Total current liabilities	534,480	(40,982)	493,498
Long-term debt	794,000	-	794,000
Finance lease obligation	155,883	-	155,883
Provision for reclamation (j)	257,235	(257,235)	-
Other liabilities (a),(g),(j)	259,767	52,329	312,096
Provisions (a),(b),(j),(k),(l)	-	335,629	335,629
Deferred tax liabilities (p),(q),(r)	188,573	(95,122)	93,451
Total non-current liabilities	1,655,458	35,601	1,691,059
Minority interest (o)	162,652	(162,652)	-
Shareholders' equity			
Share capital (m)	1,514,172	297,400	1,811,572
Contributed surplus	136,373	-	136,373
Retained earnings (s)	3,273,391	(764,791)	2,508,600
Other components of equity (b),(d),(g),(h),(k),(n),(p),(r)	12,465	50,043	62,508
Total shareholders' equity attributable to equity holders	4,936,401	(417,348)	4,519,053
Non-controlling interest (o)	-	162,652	162,652
Total shareholders' equity	4,936,401	(254,696)	4,681,705
Total liabilities and shareholders' equity	\$7,288,991	\$(422,729)	\$6,866,262

Reconciliation of Total Comprehensive Income for 2010

	Mar 31, 2010			Dec 31, 2010		
	Cdn GAAP	effect of transition	IFRS	Cdn GAAP	effect of transition	IFRS
Revenue from products and services	\$484,716	\$ -	\$484,716	\$2,123,655	\$ -	\$2,123,655
Products and services sold (a),(l)	251,533	(2,593)	248,940	1,127,879	(13,916)	1,113,963
Depreciation, depletion and amortization (a),(b),(c),(d),(e),(k)	53,286	(1,108)	52,178	251,547	(13,239)	238,308
Cost of sales	304,819	(3,701)	301,118	1,379,426	(27,155)	1,352,271
Gross profit	179,897	3,701	183,598	744,229	27,155	771,384
Administration (g),(i)	31,456	(504)	30,952	155,810	(1,112)	154,698
Exploration	15,167	-	15,167	95,796	-	95,796
Research and development	688	-	688	4,794	-	4,794
Cigar Lake remediation	2,712	-	2,712	16,633	-	16,633
Gain on sale of assets	234	-	234	107	-	107
Earnings from operations	129,640	4,205	133,845	471,089	28,267	499,356
Finance costs (b),(c),(l)	(7,545)	(14,785)	(22,330)	(24,368)	(61,811)	(86,179)
Gains on derivatives	42,626	-	42,626	75,183	-	75,183
Finance income	3,744	-	3,744	20,894	-	20,894
Share of loss from equity-accounted investees (h)	(3,862)	2,888	(974)	(15,538)	11,362	(4,176)
Other income	2,005	-	2,005	4,388	-	4,388
Earnings before income taxes	166,608	(7,692)	158,916	531,648	(22,182)	509,466
Income tax expense (p),(q),(r)	25,100	(8,468)	16,632	27,251	(23,824)	3,427
Net earnings	\$141,508	\$776	\$142,284	\$504,397	\$1,642	\$506,039
Net earnings (loss) attributable to:						
Equity holders	\$142,393	\$776	\$143,169	\$514,749	\$1,642	\$516,391
Non-controlling interest	(885)	-	(885)	(10,352)	-	(10,352)
Net earnings	\$141,508	\$776	\$142,284	\$504,397	\$1,642	\$506,039
Basic earnings per common share	\$0.36	\$ -	\$0.36	\$1.31	\$ -	\$1.31
Diluted earnings per common share	\$0.36	\$ -	\$0.36	\$1.30	\$ -	\$1.30
Net earnings	\$141,508	\$776	\$142,284	\$504,397	\$1,642	\$506,039
Other comprehensive income (loss), net of taxes						
Unrealized foreign currency translation gains (losses)	(28,811)	(355)	(29,166)	7,342	(907)	6,435
Gains on derivatives designated as cash flow hedges	15,768	-	15,768	12,035	-	12,035
Gains on derivatives designated as cash flow hedges transferred to net earnings	(15,462)	-	(15,462)	(71,186)	-	(71,186)
Unrealized losses on available-for-sale securities	883	-	883	2,125	-	2,125
Losses on available-for-sale securities transferred to net earnings	(2,627)	-	(2,627)	(2,557)	-	(2,557)
Defined benefit plan actuarial losses (a),(g),(p)	-	-	-	-	(108,982)	(108,982)
Other comprehensive loss	(30,249)	(355)	(30,604)	(52,241)	(109,889)	(162,130)
Total comprehensive income (loss), net of taxes	\$111,259	\$421	\$111,680	\$452,156	\$(108,247)	\$343,909
Total comprehensive income (loss) attributable to:						
Equity holders	\$113,574	\$421	\$113,995	\$448,470	\$(108,247)	\$340,223
Non-controlling interest	(2,315)	-	(2,315)	3,686	-	3,686
Total comprehensive income (loss)	\$111,259	\$421	\$111,680	\$452,156	\$(108,247)	\$343,909

Notes to the reconciliations

The impact on deferred tax of the adjustments described below is set out in note (p).

- a)** As a result of BPLP also transitioning to IFRS, Cameco has recorded its share of BPLP's IFRS transition adjustments. BPLP's transition adjustments relate largely to the recognition of previously unrecognized actuarial losses, as well as adjustments for changes in amounts eligible for capitalization, componentization of property, plant and equipment and the recognition of additional provisions as required under IFRS.
- (i)** BPLP's policy choice under IFRS for defined benefit plans is to recognize all actuarial gains and losses in other comprehensive income. As a result of this policy choice, for all defined benefit plans existing at January 1, 2010, BPLP has recognized in retained earnings all cumulative actuarial losses. Cameco's share of this adjustment was a decrease to retained earnings of \$136,954,000. In addition, \$144,760,000 of actuarial losses at December 31, 2010 was recognized directly in other comprehensive income following BPLP's annual actuarial valuation update.
- In 2005, BPLP sublet the four Bruce A reactors to a newly-formed partnership (the Bruce A Limited Partnership or "BALP"). BPLP continues to be responsible for the overall management of the site, including employment of the full workforce. BPLP and BALP entered into a services and cost sharing agreement to achieve an equitable allocation of certain operating costs, including employee pension and other post-retirement costs.
- As a result of being the employer of record, BPLP has legal liability for the pension and other post-retirement benefit plans and is required to recognize the entire amount of any actuarial gains and losses in other comprehensive income. These costs are shared with BALP through the services and cost sharing agreement with amounts recovered from BALP classified in earnings rather than other comprehensive income.
- (ii)** Unlike Canadian GAAP, IFRS requires the cost of major inspections and overhauls to be recognized in the carrying amount of property, plant and equipment. It also requires that components of an item of property, plant and equipment with different useful lives be accounted for and depreciated separately. As a result of these different capitalization standards under IFRS, BPLP has made adjustments to retained earnings at its transition date. Cameco's share of these adjustments was an increase to retained earnings of \$8,469,000.
- (iii)** Under IFRS, unlike Canadian GAAP, provisions are required to be made when a constructive obligation exists. IFRS also varies from Canadian GAAP in its requirements for certain accruals to be made. Based on the differing requirements for the recognition of provisions and accruals, BPLP recorded a reduction to retained earnings of which Cameco's share was \$6,984,000.

The effect of the IFRS transition adjustments was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Accounts receivable (iii)	\$1,864	\$1,232	\$1,075
Supplies and prepaid expenses (iii)	-	1,864	-
Long-term receivables, investments and other (i)	(60,482)	(59,092)	(92,526)
Property, plant and equipment (ii)	8,469	5,720	8,406
Accounts payable and accrued liabilities (iii)	(474)	(539)	(253)
Provisions (iii)	(4,519)	(3,381)	(3,792)
Other liabilities (i),(iii)	(80,327)	(80,612)	(186,977)
Retained earnings (i),(ii),(iii)	135,469	134,808	274,067
Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income			
Products and services sold (i),(ii),(iii)	\$ -	\$(2,593)	\$(14,125)
Depreciation, depletion and amortization (ii)	-	1,928	7,963
Actuarial losses (i)	-	-	144,760

- b) Under IFRS, and similar to Canadian GAAP, changes to a decommissioning liability to recognize the passage of time (unwinding of the discount or accretion) are required to be recorded. Under Canadian GAAP, the accretion was recorded as an operating cost and allocated to inventory while under IFRS, the unwinding of the discount is required to be reflected as a finance cost and does not qualify for capitalization. The effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Inventories	\$(8,387)	\$(10,998)	\$(9,748)
Property, plant and equipment	-	-	(75)
Provisions	-	1,063	4,209
Retained earnings	8,387	10,057	5,658
Other components of equity (foreign currency translation)	-	(122)	(44)
Consolidated Statements of Earnings			
Depreciation, depletion and amortization	\$ -	\$(1,532)	\$(15,516)
Finance costs	-	3,202	12,787

- c) Cameco has elected, under IFRS 1, not to apply IAS 23 retrospectively to borrowing costs incurred on the construction of qualifying assets that commenced prior to January 1, 2010. Accordingly, Cameco has derecognized all borrowing costs that had been previously capitalized under Canadian GAAP through a charge to retained earnings. In addition, based on this election, borrowing costs incurred subsequent to the date of transition on qualifying assets where the construction of the asset commenced prior to January 1, 2010 are being expensed as incurred. The effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Property, plant and equipment	\$(333,810)	\$(344,252)	\$(377,182)
Retained earnings	333,810	344,252	377,182
Consolidated Statements of Earnings			
Depreciation, depletion and amortization	\$ -	\$(815)	\$(4,349)
Finance costs	-	11,257	47,721

- d) IFRS requires the reversal of any previously recorded impairment losses where circumstances have changed such that the impairments have been reduced. The reversal of impairment losses was prohibited under Canadian GAAP. In 2000, as a result of depressed uranium prices, Cameco recorded a write-down relating to certain in situ recovery mine assets located in the United States. The amount of the write-down was determined based on estimated future net cash flows and uranium price forecasts. As a result of the strengthening of uranium prices since 2000, Cameco reassessed these previously impaired assets and based on their value in use, determined that a portion of these previous write-downs should be reversed. The reversal of these impairment losses has been recognized in cost of sales in the statements of earnings and the effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Property, plant and equipment	\$34,600	\$33,312	\$31,540
Inventory	-	291	312
Retained earnings	(34,600)	(34,586)	(33,497)
Other components of equity (foreign currency translation)	-	983	1,645
Consolidated Statements of Earnings			
Depreciation, depletion and amortization	\$ -	\$14	\$1,103

- e) IFRS specifically precludes the inclusion of general overhead and administration expenses in the cost of an item of property, plant and equipment. Cameco reviewed the composition of its items of property, plant and equipment to assess whether the costs included related specifically to the construction of the asset, or whether they were general in nature and determined that certain costs should be expensed under IFRS. The effect of removing these costs from property, plant and equipment was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Property, plant and equipment	\$(7,526)	\$(7,391)	\$(7,072)
Retained earnings	7,526	7,391	7,072
Consolidated Statements of Earnings			
Depreciation, depletion and amortization	\$ -	\$(135)	\$(454)

- f) Under IFRS, investments in equity-accounted investees are presented in the consolidated statements of financial position as a separate line item. Previously under Canadian GAAP, these investments were included in long-term receivables, investments and other. The effect of this reclassification was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Investments in equity-accounted investees	\$203,873	\$193,604	\$191,738
Long-term receivables, investments and other	(203,873)	(193,604)	(191,738)

- g) Cameco's policy choice under IFRS for defined benefit plans is to recognize all actuarial gains and losses in other comprehensive income. As a result of this policy choice, for all defined benefit plans existing at January 1, 2010, the Company has recognized in retained earnings, \$14,404,000 of cumulative actuarial losses. The effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Long-term receivables, investments and other	\$(2,155)	\$(2,495)	\$(1,885)
Other liabilities	(12,249)	(11,583)	(11,981)
Retained earnings	14,404	14,109	13,753
Other components of equity (foreign currency translation)	-	(31)	113
Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income			
Administration	\$ -	\$(295)	\$(1,063)
Actuarial losses	-	-	412

- h) Under IFRS, in-process research and development (“IPR&D”) that meets the definition of an intangible asset is capitalized with amortization commencing when the asset is ready for use (i.e., when development is complete). Under Canadian GAAP, amortization of IPR&D capitalized as an intangible asset was commenced immediately, with the amortization period extending from the date of initial recognition to the date the completed asset will be available for use in commercial production. Cameco had been amortizing IPR&D related to the acquisition of its interest in equity-accounted investee GE-Hitachi Global Laser Enrichment LLC, a development-stage entity. Under IFRS, this amortization does not begin until development is complete. The effect of reversing this previously recognized amortization was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Investments in equity-accounted investees	\$18,691	\$20,927	\$28,692
Retained earnings	(18,691)	(21,579)	(30,053)
Other components of equity (foreign currency translation)	-	652	1,361
Consolidated Statements of Earnings			
Share of loss from equity-accounted investees	\$ -	\$(2,888)	\$(11,362)

- i) Cameco has granted cash-settled phantom stock options to eligible non-North American employees. The Company applied IFRS 2 to its unsettled share-based compensation arrangements at January 1, 2010.

Cameco accounted for these share-based compensation arrangements at intrinsic value under Canadian GAAP. The related liability has been adjusted to reflect the fair value of the outstanding cash-settled phantom stock options to be consistent with the Company’s accounting policies under IFRS. The effect of accounting for cash-settled share-based compensation transactions at fair value was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Accounts payable and accrued liabilities	\$(831)	\$(622)	\$(782)
Retained earnings	831	622	782
Consolidated Statements of Earnings			
Administration	\$ -	\$(209)	\$(49)

- j) Under IFRS, decommissioning liabilities and waste provisions are presented in the consolidated statements of financial position as part of provisions. Previously under Canadian GAAP, these obligations were presented separately as provision for reclamation and other liabilities. The effect of this reclassification was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Provision for reclamation	\$258,277	\$257,235	\$279,653
Provisions	(296,895)	(297,101)	(317,313)
Other liabilities	38,618	39,866	37,660

- k) Cameco has elected, under IFRS 1, not to retrospectively recalculate, under IFRIC 1, the effect of each change in its reclamation provision prior to January 1, 2010. Instead, the liability and related assets and depreciation were measured as at the date of transition. Accordingly, Cameco has recalculated the provision and estimated the amount that would have been adjusted to the cost of the related asset by discounting the liability at the date of transition back to the date when the liability first arose, using its best estimate of the historical risk free rate that would have applied over the intervening period. In addition, the Company has calculated the accumulated depreciation on that amount as at the date of transition to IFRS based on the current estimate of the useful life of the asset.

In addition, as a result of its annual review, Cameco adjusted the provision for decommissioning liabilities and cost of the related assets for changes in discount rates which ranged from 4.1% - 4.6% at January 1, 2010 compared to 3.3% - 3.5% at December 31, 2010.

The effect of the IFRS transition adjustments was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Property, plant and equipment	\$(53,062)	\$(52,544)	\$(38,779)
Provisions	(57,188)	(56,447)	(68,332)
Retained earnings	110,250	109,679	108,262
Other components of equity (foreign currency translation)	-	(688)	(1,151)

Consolidated Statements of Earnings			
Depreciation, depletion and amortization	\$ -	\$(571)	\$(1,988)

- l) IFRS requires that provisions such as those for environmental costs be recognized when it is probable that a restoration expense will be incurred and the associated costs can be reliably estimated. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. Under IFRS, provisions for waste removal are measured initially at their present value using risk adjusted cash flows, with changes to the liability due to the passage of time (accretion) recorded as a finance cost. Under Canadian GAAP, discounting to reflect the time value of money is allowed, but not required. In the fuel services conversion processes, a certain amount of waste material is generated. Under Canadian GAAP, provisions for waste removal were measured using undiscounted estimated cash flows and recognized as an expense and a corresponding liability. The effect of discounting the provision upon transition to IFRS was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Provisions	\$1,773	\$1,447	\$261
Retained earnings	(1,773)	(1,447)	(261)

Consolidated Statements of Earnings			
Products and services sold	\$ -	\$ -	\$209
Finance costs	-	326	1,303

- m) Under IFRS, convertible debentures that contain a cash settlement feature are accounted for as a hybrid instrument with a debt component and a separate derivative representing the conversion option. The debt component is classified as a financial liability and accounted for at amortized cost using the effective interest rate method, while the conversion option is accounted for as a derivative and recorded at fair value with changes in fair value recorded in earnings.

Under Canadian GAAP, certain convertible debentures that contained a cash settlement feature were accounted for as a compound instrument with both a debt and equity component. Consistent with IFRS, the debt component was accounted for at amortized cost using the effective interest rate method; however, the conversion option was accounted for as an equity instrument with any changes in value not recognized.

The effect of accounting for the conversion option as a derivative at fair value was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Retained earnings	\$297,400	\$297,400	\$297,400
Share capital	(297,400)	(297,400)	(297,400)

- n) In accordance with IFRS 1, Cameco has elected to deem all foreign currency translation differences that existed at the date of transition to IFRS in respect of all foreign entities to be zero at the date of transition.

The effect was to increase foreign currency translation (other components of equity) and to decrease retained earnings by \$50,398,000 at January 1, 2010, March 31, 2010 and December 31, 2010.

In addition to the above, cash flow hedging reserves of \$89,457,000 as at January 1, 2010 and \$30,306,000 as at December 31, 2010 and available-for-sale assets reserves of \$2,225,000 at January 1, 2010 and \$1,793 at December 31, 2010 have been reclassified from accumulated other comprehensive income under Canadian GAAP to their respective reserve accounts within other components of equity under IFRS.

- o) Under IFRS, non-controlling interests are presented in the consolidated statement of financial position as equity but are presented separately from the parent shareholders' equity. Under Canadian GAAP, non-controlling interests were classified between total liabilities and equity and referred to as minority interest.

- p) The foregoing changes decreased (increased) the deferred tax amounts as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
BPLP transition adjustments (a)	\$33,862	\$33,697	\$68,512
Decommissioning liabilities - discounting (k)	31,076	30,713	30,237
Decommissioning liabilities - accretion (b)	2,537	2,979	1,082
Provision for waste (l)	(468)	(382)	(69)
Borrowing costs (c)	88,159	90,917	99,609
Impairment reversal (d)	(12,125)	(11,766)	(11,522)
Capitalized overhead (e)	1,988	1,952	1,868
IPR&D (h)	(6,542)	(7,325)	(10,042)
Share-based compensation (i)	136	101	146
Employee benefits (g)	3,895	3,804	3,753
	\$142,518	\$144,690	\$183,574

In addition, other components of equity of \$(317,000) as at March 31, 2010 and \$(794,000) as at December 31, 2010 have been adjusted to reflect the impact of foreign currency translation on the deferred tax balance.

The adjustments described above impacted income tax expense (recovery) on the consolidated statements of earnings as follows:

Consolidated Statements of Earnings	Jan 1/10	Mar 31/10	Dec 31/10
BPLP transition adjustments (a)	-	\$165	\$1,540
Decommissioning liabilities - discounting (k)	-	123	436
Decommissioning liabilities - accretion (b)	-	(461)	1,427
Provision for waste (l)	-	(86)	(399)
Borrowing costs (c)	-	(2,757)	(11,450)
Capitalized overhead (e)	-	36	120
IPR&D (h)	-	1,010	3,977
Share-based compensation (i)	-	35	(10)
Employee benefits (g)	-	80	287
Income tax recovery	\$ -	\$(1,855)	\$(4,072)

The adjustment to other comprehensive income relating to previously unrecognized cumulative actuarial losses in BPLP is net of taxes of \$36,190,000.

- q) Under IFRS, a deferred tax liability (asset) is recognized for the difference in tax bases between jurisdictions as a result of an intra-group transfer of assets and consequently, the deferred tax is computed using the tax rate applicable to the purchaser. Under Canadian GAAP, a deferred tax liability (asset) was not recognized for the difference in tax bases between jurisdictions. Any taxes paid or recovered by the transferor were recognized as an asset or liability once the profit or loss was recognized by the consolidated entity. The IFRS adjustment is related to product sold by Cameco to subsidiaries and held in inventory at the transition date. The effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Deferred tax liabilities	\$(540)	\$6,073	\$19,690
Retained earnings	540	(6,073)	(19,690)
Consolidated Statements of Earnings			
Income tax recovery	\$ -	\$(6,613)	\$(20,230)

- r) Under IFRS, a deferred tax liability (asset) is recognized for exchange gains and losses related to foreign non-monetary assets and liabilities that are remeasured into the functional currency using historical exchange rates for tax purposes. Under Canadian GAAP, a deferred tax liability (asset) is not recognized for a temporary difference between the historical exchange rate and the current exchange rate translations of non-monetary assets and liabilities. The effect was as follows:

Consolidated Statements of Financial Position	Jan 1/10	Mar 31/10	Dec 31/10
Deferred tax liabilities	\$(4,133)	\$(4,011)	\$(4,388)
Retained earnings	4,133	4,133	4,612
Other components of equity (foreign currency translation)	-	(122)	(224)
Consolidated Statements of Earnings			
Income tax expense	\$ -	\$ -	\$479

- s) The above changes increased (decreased) retained earnings as follows:

	Jan 1/10	Mar 31/10	Dec 31/10
BPLP transition adjustments (a)	\$(135,469)	\$(134,808)	\$(274,067)
Decommissioning liabilities - accretion (b)	(8,387)	(10,057)	(5,658)
Borrowing costs (c)	(333,810)	(344,252)	(377,182)
Impairment reversal (d)	34,600	34,586	33,497
Capitalized overhead (e)	(7,526)	(7,391)	(7,072)
Employee benefits (g)	(14,404)	(14,109)	(13,753)
In-process research and development (h)	18,691	21,579	30,053
Share-based compensation (i)	(831)	(622)	(782)
Decommissioning liabilities - discounting (k)	(110,250)	(109,679)	(108,262)
Provision for waste - discounting (l)	1,773	1,447	261
Convertible debentures (m)	(297,400)	(297,400)	(297,400)
Other components of equity (n)	(50,398)	(50,398)	(50,398)
Deferred tax liability (p)	142,518	144,373	182,780
Deferred tax liabilities - intra-group transfer (q)	(540)	6,073	19,690
Deferred tax liabilities - foreign non-monetary assets (r)	(4,133)	(4,133)	(4,612)
	\$(765,566)	\$(764,791)	\$(872,905)

Explanation of material adjustments to the cash flow statement for 2010

Consistent with the Company's accounting policy election under IAS 7, *Statement of Cash Flows*, interest paid has been reclassified as a financing activity. Under Canadian GAAP, it had been capitalized and included with additions to property, plant and equipment as an investing activity. The amounts reclassified were \$24,417,000 for the period ended March 31, 2010 and \$53,859,000 for the year ended December 31, 2010.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under Canadian GAAP.

4. Accounting Standards

(a) New Standards and Interpretations not yet Adopted

A number of new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these interim consolidated financial statements. The following standards, amendments to and interpretations of existing standards have been published and are mandatory for Cameco's accounting periods beginning on or after January 1, 2012:

(i) Financial Instruments

In October 2010, the International Accounting Standards Board issued IFRS 9, *Financial Instruments* ("IFRS 9"). This standard is effective for periods beginning on or after January 1, 2013 and is part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Cameco is assessing the impact of this new standard on its financial statements.

5. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes to the specific asset or liability.

(a) Investments in Equity and Debt Securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of unlisted securities is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

(b) Trade and Other Receivables

The fair value of trade and other receivables approximate their carrying amounts due to the short-term maturity of these instruments.

(c) Derivatives

The fair value of forward exchange contracts is based on the current quoted foreign exchange rates. The fair value of foreign currency forward contracts is based on their listed market price. The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The fair value of interest rate caps is based on broker quotes.

Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Company and counterparty when appropriate.

(d) Share-Based Compensation

The fair values of the stock option, phantom stock option and the deferred share unit plans are measured using the Black-Scholes option-pricing model. The fair value of the performance share unit plan is measured using Monte Carlo Sampling. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are taken into account in determining fair value for valuations performed using Monte Carlo Sampling.

6. Use of Estimates and Judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year are discussed below.

(a) Lives and Recoverability of Mineral Properties

Cameco assesses the carrying values of property, plant and equipment, and intangible assets 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 charged against current earnings. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and mineral reserves. A material change in assumptions may significantly impact the potential impairment of these assets. In addition, assumptions used in the calculation of recoverable amounts are discount rates, future cash flows and profit margins.

(b) Provisions for Decommissioning and Reclamation of Assets

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 mineral reserves may result in a material change in the amount charged to earnings.

(c) Deferred Income Taxes

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 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 law and management's expectations of future results. Cameco estimates deferred income taxes based on temporary differences between the income and losses reported in its 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 deferred tax assets or liabilities in the 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.

(d) Mineral Reserves

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 mineral reserves. Estimates of lifetime production and amounts of mineral reserves are subject to judgment and significant change over time. If actual mineral 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.

7. Inventories

	Mar 31/11	Dec 31/10	Jan 1/10
Uranium			
Concentrate	\$418,985	\$385,242	\$304,695
Broken ore	27,258	12,138	18,077
	446,243	397,380	322,772
Fuel Services	154,960	135,710	122,065
Total	\$601,203	\$533,090	\$444,837

8. Long-Term Receivables, Investments and Other

	Mar 31/11	Dec 31/10	Jan 1/10
BPLP			
Capital lease receivable from BALP ^(a)	\$90,692	\$91,608	\$94,895
Derivatives [note 17]	72,555	77,831	141,949
Available-for-sale securities			
Western Uranium Corporation	-	6,033	4,637
GoviEx Uranium (privately held)	22,108	23,017	25,214
Derivatives [note 17]	58,064	50,011	68,432
Deferred charges			
Cost of sales	-	-	14,415
Advances receivable from Inkai JV LLP [note 21]	102,576	125,072	141,149
Other	64,884	60,550	64,811
	410,879	434,122	555,502
Less current portion	(99,740)	(91,447)	(154,725)
Net	\$311,139	\$342,675	\$400,777

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

9. Other Liabilities

	Mar 31/11	Dec 31/10	Jan 1/10
Deferred sales	\$15,966	\$17,004	\$24,982
Derivatives [note 17]	6,589	5,273	4,137
Accrued post-retirement benefit liability	21,762	21,738	19,141
BPLP			
Accrued post-retirement benefit liability	347,819	350,466	229,599
Derivatives [note 17]	27,992	29,954	36,820
Other	9,026	9,270	13,009
	429,154	433,705	327,688
Less current portion	(30,852)	(28,228)	(29,297)
Total	\$398,302	\$405,477	\$298,391

10. Share Capital

- (a) At March 31, 2011, there were 394,699,595 common shares outstanding.
- (b) Options in respect of 8,725,383 shares are outstanding under the stock option plan and are exercisable up to 2019. For the quarter ended March 31, 2011, 348,552 options were exercised resulting in the issuance of shares (2010 – 127,832).

11. Employee Benefit Expense

The following employee benefit expenses are included in cost of products and services sold, administration, exploration and research and development.

	Mar 31/11	Mar 31/10
Wages and salaries	\$120,897	\$108,937
Statutory and company benefits	24,243	23,205
Equity-settled share-based compensation	9,193	5,987
Expenses related to defined benefit plans	6,253	4,120
Contributions to defined contribution plans	4,247	3,158
Cash-settled share-based compensation	(5,495)	(3,020)
Total	\$159,338	\$142,387

12. Finance Costs

	Mar 31/11	Mar 31/10
Interest on long-term debt	\$14,139	\$14,007
Unwinding of discount on provisions	3,291	3,528
Other charges	1,160	1,986
Foreign exchange losses	741	2,361
Interest on short-term debt	526	448
Total	\$19,857	\$22,330

13. Income Taxes

	Mar 31/11	Mar 31/10
Earnings (loss) before income taxes		
Canada	\$(20,014)	\$61,374
Foreign	113,284	97,542
	\$93,270	\$158,916
Current income taxes (recovery)		
Canada	\$(6,691)	\$23,297
Foreign	11,580	5,434
	\$4,889	\$28,731
Deferred income taxes (recovery)		
Canada	\$3,517	\$(13,317)
Foreign	(4,599)	1,218
	\$(1,082)	\$(12,099)
Income tax expense	\$3,807	\$16,632

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing methodology used by Cameco and its wholly owned Swiss subsidiary, Cameco Europe Ltd. (CEL), in respect of sale and purchase agreements for uranium products. From December 2008 to date, CRA issued notices of reassessment for the taxation years 2003, 2004 and 2005, which have increased Cameco's income for Canadian income tax purposes by approximately \$43,000,000, \$108,000,000 and \$197,000,000 respectively. No reassessment received to date has resulted in more than a nominal amount of cash taxes becoming payable due to the availability of elective deductions and tax loss carrybacks. Cameco believes it is likely that CRA will reassess Cameco's tax returns for subsequent years on a similar basis.

CRA's Transfer Pricing Review Committee has not imposed a transfer pricing penalty for any year reassessed to date.

Having regard to advice from its external advisors, Cameco's opinion is that CRA's position is incorrect, and Cameco is contesting CRA's position. However, to reflect the uncertainties of CRA's appeals process and litigation, Cameco has recorded a cumulative tax provision related to this matter for the years 2003 through the current period in the amount of \$27,000,000. No provisions for penalties or interest have been recorded. Cameco does not expect more than a nominal amount of cash taxes to be payable due to the availability of elective deductions and tax loss carryovers. While the resolution of this matter may result in liabilities that are higher or lower than the reserve, management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity over the period. However, an unfavourable outcome for the years 2003 to 2010 could be material to Cameco's financial position, results of operations or cash flows in the year(s) of resolution.

Further to Cameco's decision to contest CRA's reassessments, Cameco is pursuing its appeal rights under the Income Tax Act.

Other comprehensive income included on the consolidated statements of comprehensive income and the consolidated statements of changes in equity is presented net of income taxes. The following income tax amounts are included in each component of other comprehensive income:

For the three months ended March 31, 2011

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(23,380)	\$ -	\$(23,380)
Gains on derivatives designated as cash flow hedges	2,250	(639)	1,611
Gains on derivatives designated as cash flow hedges transferred to net earnings	(8,365)	2,234	(6,131)
Unrealized gains on assets available-for-sale	538	(71)	467
Gains on assets available-for-sale transferred to net earnings	(2,114)	279	(1,835)
	\$(31,071)	\$1,803	\$(29,268)

For the three months ended March 31, 2010

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(29,166)	\$ -	\$(29,166)
Gains on derivatives designated as cash flow hedges	20,092	(4,324)	15,768
Gains on derivatives designated as cash flow hedges transferred to net earnings	(21,871)	6,409	(15,462)
Unrealized gains on assets available-for-sale	953	(70)	883
Gains on assets available-for-sale transferred to net earnings	(3,037)	410	(2,627)
	\$(33,029)	\$2,425	\$(30,604)

14. Statements of Cash Flows Other Operating Items

	Mar 31/11	Mar 31/10
Changes in non-cash working capital:		
Accounts receivable	\$249,157	\$131,575
Inventories	(59,198)	(8,390)
Supplies and prepaid expenses	5,286	20,479
Accounts payable and accrued liabilities	(23,774)	(193,871)
Other	(23,107)	2,572
Total	\$148,364	\$(47,635)

15. Stock Option Plan

The Company has established a stock option plan under which options to purchase common shares may be granted to officers and other employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. Options have not been awarded to directors since 2003 and the plan has been amended to preclude the issue of options to directors.

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 43,017,198, of which 26,440,991 shares have been issued.

Cameco records compensation expense with an offsetting credit to contributed surplus to reflect the estimated fair value of stock options granted to employees. For the quarter ended March 31, 2011, the amount recorded was \$7,245,000 (2010 - \$4,997,000).

The fair value of the options granted each year was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Mar 31/11	Mar 31/10
Number of options granted	1,580,069	1,515,945
Average strike price	\$39.53	\$28.90
Expected dividend	\$0.40	\$0.28
Expected volatility	39%	36%
Risk-free interest rate	2.5%	2.1%
Expected life of option	4.5 years	4.2 years
Expected forfeitures	15%	15%
Weighted average grant date fair values	\$12.71	\$8.46

16. Commitments and Contingencies

(a) On February 12, 2004, Cameco, Cameco Bruce Holdings II Inc., BPC Generation Infrastructure Trust ("BPC") and TransCanada Pipelines Limited ("TransCanada") (collectively, the "Consortium"), sent a notice of claim to British Energy Limited and British Energy International Holdings Limited (collectively, "BE") requesting, amongst other things, indemnification for breach of a representation and warranty contained in the February 14, 2003, Amended and Restated Master Purchase Agreement. The alleged breach is that the Unit 8 steam generators were not "in good condition, repair and proper working order, having regard to their use and age." This defect was discovered during a planned outage conducted just after closing. As a result of this defect, the planned outage had to be significantly extended. The Consortium has claimed damages in the amount of \$64,558,200 being 79.8% of the \$80,900,000 of damages actually incurred, plus an unspecified amount to take into account the reduced operating life of the steam generators. By agreement of the parties, an arbitrator has been appointed to arbitrate the claims.

The Consortium served its claim on October 21, 2008, and has amended it as required, most recently on August 7, 2009. BE served its answer and counter-statement on December 22, 2008, most recently amended on March 25, 2010, and the Consortium served its reply and answer to counter-statement on January 22, 2009, most recently amended on August 7, 2009.

The Unit 8 steam generators require on-going monitoring and maintenance as a result of the defect. In addition to the \$64,558,200 in damages sought in the notice of claim, the claim seeks an additional \$4,900,000 spent on inspection, monitoring and maintenance of Unit 8, and \$31,900,000 in costs for future monitoring and maintenance, as well as repair costs and lost revenue due to anticipated unplanned outages as a consequence of the defect in Unit 8. The initial claim had also sought damages for the early replacement of the Unit 8 steam generators due to the defect shortening their useful operating lives. However, recent inspection data and analysis of the condition of the Unit 8 steam generators now indicates that they will continue to function until the end of the Consortium's lease of the Bruce Power facility in 2018, as was expected at the time the MPA was entered into. The claim for early replacement was thus abandoned via an amendment to the claim on August 7, 2009. The arbitration hearing was completed on November 23, 2010 and final oral arguments are scheduled for July 2011.

In anticipation of this claim, BE issued on February 10, 2006, and then served on Ontario Power Generation Inc. ("OPG") and BPLP a Statement of Claim. This Statement of Claim seeks damages for any amounts that BE is found liable to pay to the Consortium in connection with the Unit 8 steam generator arbitration described above, damages in the amount of \$500,000,000, costs and pre and post judgment interest amongst other things. Further proceedings in this action are on hold pending completion of the arbitration hearing.

- (b)** Annual supplemental rents of \$30,000,000 (subject to CPI) per operating reactor are payable by BPLP to OPG. Should the hourly annual average price of electricity in Ontario fall below \$30 per megawatt hour for any calendar year, the supplemental rent reduces to \$12,000,000 per operating reactor. In accordance with the Sublease Agreement, BALP will participate in its share of any adjustments to the supplemental rent.
- (c)** Cameco, TransCanada and BPC have assumed the obligations to provide financial guarantees on behalf of BPLP. Cameco has provided the following financial assurances, with varying terms that range from 2011 to 2018:

 - i) Guarantees to customers under power sales agreements of up to \$19,000,000. At March 31, 2011, Cameco's actual exposure under these agreements was \$15,000,000.
 - ii) Termination payments to OPG pursuant to the lease agreement of \$58,300,000. The fair value of these guarantees is nominal.
- (d)** Under a supply contract with the Ontario Power Authority ("OPA"), BPLP is entitled to receive payments from the OPA during periods when the market price for electricity in Ontario is lower than the floor price defined under the agreement during a calendar year. On July 6, 2009, BPLP and the OPA amended the supply contract such that beginning in 2009, the annual payments received will not be subject to repayment in future years. Previously, the payments received under the agreement were subject to repayment during the entire term of the contract, dependent on the spot price in future periods. BPLP's entitlement to receive these payments remains in effect until December 31, 2019 but the generation that is subject to these payments starts to decrease in 2016, reflecting the original estimated lives for the Bruce B units. During 2011, BPLP recorded \$109,200,000 under this agreement which was recognized as revenue with Cameco's share being \$34,500,000.

17. Derivatives

The following tables summarize the fair value of derivatives and classification on the statements of financial position:

As at March 31, 2011

	Comeco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(2,302)	\$16,253	\$13,951
Foreign currency contracts	54,177	-	54,177
Interest rate contracts	(400)	-	(400)
Cash flow hedges:			
Energy and sales contracts	-	28,310	28,310
Net	\$51,475	\$44,563	\$96,038
Classification:			
Current portion of long-term receivables, investments and other [note 8]	\$54,605	\$44,788	\$99,393
Long-term receivables, investments and other [note 8]	3,459	27,767	31,226
Current portion of other liabilities [note 9]	(3,571)	(20,186)	(23,757)
Other liabilities [note 9]	(3,018)	(7,806)	(10,824)
Net	\$51,475	\$44,563	\$96,038

As at December 31, 2010

	Comeco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(3,864)	\$18,877	\$15,013
Foreign currency contracts	47,144	-	47,144
Interest rate contracts	1,458	-	1,458
Cash flow hedges:			
Energy and sales contracts	-	29,000	29,000
Net	\$44,738	\$47,877	\$92,615
Classification:			
Current portion of long-term receivables, investments and other [note 8]	\$46,629	\$44,505	\$91,134
Long-term receivables, investments and other [note 8]	3,382	33,326	36,708
Current portion of other liabilities [note 9]	(377)	(20,662)	(21,039)
Other liabilities [note 9]	(4,896)	(9,292)	(14,188)
Net	\$44,738	\$47,877	\$92,615

As at January 1, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(2,736)	\$9,082	\$6,346
Foreign currency contracts	67,031	-	67,031
Cash flow hedges:			
Energy and sales contracts	-	96,047	96,047
Net	\$64,295	\$105,129	\$169,424
Classification:			
Current portion of long-term receivables, investments and other [note 8]	\$66,972	\$87,439	\$154,411
Long-term receivables, investments and other [note 8]	1,460	54,510	55,970
Current portion of other liabilities [note 9]	(445)	(19,595)	(20,040)
Other liabilities [note 9]	(3,692)	(17,225)	(20,917)
Net	\$64,295	\$105,129	\$169,424

The following tables summarize different components of the gains (losses) on derivatives:

For the three months ended March 31, 2011

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$1,473	\$(326)	\$1,147
Foreign currency contracts	23,436	-	23,436
Interest rate contracts	(769)	-	(769)
Cash flow hedges:			
Energy and sales contracts	-	(85)	(85)
Net	\$24,140	\$(411)	\$23,729

For the three months ended March 31, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(2,305)	\$(213)	\$(2,518)
Foreign currency contracts	47,105	-	47,105
Interest rate contracts	(1,614)	-	(1,614)
Cash flow hedges:			
Energy and sales contracts	-	(347)	(347)
Net	\$43,186	\$(560)	\$42,626

Over the next 12 months, based on current exchange rates, Cameco expects an estimated \$2,360,000 of pre-tax gains from the foreign currency cash flow hedges to be reclassified through other comprehensive income to net earnings. The maximum length of time Cameco hedges its exposure to the variability in future cash flows related to foreign currency on future transactions is five years.

Over the next 12 months, based on current exchange rates, Cameco expects an estimated \$18,820,000 of pre-tax gains from BPLP's various energy and sales related cash flow hedges to be reclassified through other comprehensive income to net earnings. The maximum length of time BPLP is hedging its exposure to the variability in future cash flows related to electricity prices on future transactions is six years.

18. Earnings Per Share

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the period. The weighted average number of paid shares outstanding in 2011 was 394,507,490 (2010 – 392,875,524).

	Mar 31/11	Mar 31/10
Basic earnings per share computation		
Net earnings attributable to equity holders	\$91,487	\$143,169
Weighted average common shares outstanding	394,507	392,876
Basic earnings per common share	\$0.23	\$0.36
Diluted earnings per share computation		
Net earnings attributable to equity holders	\$91,487	\$143,169
Weighted average common shares outstanding	394,507	392,876
Dilutive effect of stock options	1,804	1,962
Weighted average common shares outstanding, assuming dilution	396,311	394,838
Diluted earnings per common share	\$0.23	\$0.36

19. Segmented Information

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

Cameco's reportable segments are strategic business units with different products, processes and marketing strategies.

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies.

(a) Business Segments

For the three months ended March 31, 2011

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$297,307	\$49,309	\$107,408	\$236	\$454,260
Expenses					
Products and services sold	174,652	37,995	56,076	-	268,723
Depreciation, depletion and amortization	22,351	4,492	17,712	4,558	49,113
Cost of sales	197,003	42,487	73,788	4,558	317,836
Gross profit (loss)	100,304	6,822	33,620	(4,322)	136,424
Exploration	17,826	-	-	-	17,826
Cigar Lake remediation	3,052	-	-	-	3,052
Gain on sale of assets	(25)	-	-	-	(25)
Share of loss from equity-accounted investees	1,914	777	-	-	2,691
Other income	(4,623)	-	-	-	(4,623)
Non-segmented expenses					24,233
Earnings (loss) before income taxes	82,160	6,045	33,620	(4,322)	93,270
Income tax expense					3,807
Net earnings					\$89,463

For the three months ended March 31, 2010

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$301,795	\$57,988	\$124,472	\$461	\$484,716
Expenses					
Products and services sold	165,670	32,929	50,314	27	248,940
Depreciation, depletion and amortization	28,782	2,339	16,027	5,030	52,178
Cost of sales	194,452	35,268	66,341	5,057	301,118
Gross profit (loss)	107,343	22,720	58,131	(4,596)	183,598
Exploration	15,167	-	-	-	15,167
Cigar Lake remediation	2,712	-	-	-	2,712
Loss on sale of assets	234	-	-	-	234
Share of loss from equity-accounted investees	255	719	-	-	974
Other income	(2,005)	-	-	-	(2,005)
Non-segmented expenses					7,600
Earnings (loss) before income taxes	90,980	22,001	58,131	(4,596)	158,916
Income tax expense					16,632
Net earnings					\$142,284

20. Talvivaara Agreement

On February 7, 2011, Cameco signed two agreements with Talvivaara Mining Company Plc. to buy uranium produced at the Sotkamo nickel-zinc mine in Finland. Under the first agreement with Talvivaara, Cameco will provide an up-front payment, to a maximum of \$60,000,000 (US) to cover certain construction costs. This amount will be repaid through deliveries of uranium concentrate. Once the full amount has been repaid, Cameco will continue to purchase the uranium concentrates produced at the Sotkamo mine through a second agreement which provides for the purchase of uranium using a pricing formula that references market prices at the time of delivery. The second agreement expires on December 31, 2027.

21. Related Parties

The shares of Cameco are widely held and no shareholder, resident in Canada, is allowed to own more than 25% of the Company's outstanding common shares, either individually or together with associates. A non-resident of Canada is not allowed to own more than 15%.

Transactions with Key Management Personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers, vice-presidents, other senior managers and members of the board of directors.

In addition to their salaries, Cameco also provides non-cash benefits to executive officers and vice-presidents, and contributes to pension plans on their behalf. Senior management and directors also participate in the Company's share-based compensation plans (see note 22 of the 2010 consolidated financial statements).

Executive officers are subject to terms of notice ranging from three to six months. Upon resignation at the Company's request, they are entitled to termination benefits up to the lesser of 24 months or the period remaining until age 65. The termination benefits include gross salary plus the target short-term incentive bonus for the year in which termination occurs.

Compensation for key management personnel was comprised of:

	Mar 31/11	Mar 31/10
Short-term employee benefits	\$5,026	\$4,930
Post-employment benefits	677	553
Share-based compensation	3,686	2,879
	\$9,389	\$8,362

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. As noted below, one of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions were on an arm's length basis.

Cameco purchases a significant amount of goods and services for its Saskatchewan mining operations from northern Saskatchewan suppliers to support economic development in the region. One such supplier is Points Athabasca Contracting Ltd. and the president of the company became a member of the board of directors of Cameco during 2009. In 2011, Cameco paid Points Athabasca Contracting Ltd. \$13,800,000 (2010 - \$3,600,000) for construction and contracting services. The transactions were conducted in the normal course of business and were accounted for at the exchange amount. Accounts payable include a balance of \$3,400,000 (2010 - \$590,000).

Other Related Party Transactions

	Transaction Value		Balance Outstanding	
	Three months ended		As at	
	Mar 31/11	Mar 31/10	Mar 31/11	Mar 31/10
Sale of goods and services				
Jointly Controlled Entities - Bruce Power L.P.	\$9,984	\$6,344	\$10,218	\$12,841
Other				
Jointly Controlled Entities - interest income (Inkai)	636	825	102,576	143,005
Associates - interest expense	(526)	(448)	76,877	78,267

Cameco has entered into fuel supply agreements with BPLP for the procurement of fabricated fuel. Under these agreements, Cameco will supply uranium, conversion services and fabrication services. Contract terms are at market rates and on normal trade terms.

Through an unsecured shareholder loan, Cameco has agreed to fund the development of the Inkai project. The limit of the loan facility is \$370,000,000 (US) and advances under the facility bear interest at a rate of LIBOR plus 2%. At March 31, 2011, \$263,882,000 (US) of principal and interest was outstanding (December 31, 2010 - \$314,378,000 (US)).

In 2008, a promissory note in the amount of \$73,344,000 (US) was issued to finance the acquisition of GE-Hitachi Global Laser Enrichment LLC (GLE). The promissory note is payable on demand and bears interest at market rates. At March 31, 2011, \$79,107,000 (US) of principal and interest was outstanding (December 31, 2010 - \$78,579,000 (US)).

22. Comparative Figures

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

Selected Annual Disclosures

As these condensed consolidated interim financial statements are the Company's first financial statements prepared under IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were accordingly not included, or presented in a different format, in the Company's most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period as notes 23 through 29.

23. Accounts Receivable

	Dec 31/10	Jan 1/10
Trade receivables	\$401,727	\$404,574
Receivables due from related parties [note 21]	22,226	15,137
HST/VAT receivables	15,093	16,803
Other receivables	9,433	12,072
Total	\$448,479	\$448,586

The Company's exposure to credit and currency risks as well as impairment loss related to trade and other receivables, excluding HST/VAT receivables is disclosed in note 4 of the 2010 consolidated financial statements.

24. Property, Plant and Equipment

	Land and buildings	Plant and equipment ^(a)	Furniture and fixtures	Under construction	Exploration and evaluation	Total
Cost						
At January 1, 2010	\$2,020,866	\$2,119,054	\$79,324	\$1,037,777	\$538,351	\$5,795,372
Additions	83,006	15,547	1,578	361,764	-	461,895
Transfers	113,826	94,462	4,201	(212,489)	-	-
Disposals	(154)	(7,013)	(65)	-	-	(7,232)
Effect of movements in exchange rates	(26,987)	(5,379)	(327)	(4,358)	44,982	7,931
At December 31, 2010	2,190,557	2,216,671	84,711	1,182,694	583,333	6,257,966
Accumulated depreciation						
At January 1, 2010	987,721	1,041,615	49,262	-	-	2,078,598
Depreciation charge	98,645	125,359	13,776	-	-	237,780
Disposals	(39)	(5,503)	(27)	-	-	(5,569)
Effect of movements in exchange rates	(6,190)	(1,159)	(141)	-	-	(7,490)
At December 31, 2010	1,080,137	1,160,312	62,870	-	-	2,303,319
Net book value at December 31, 2010	\$1,110,420	\$1,056,359	\$21,841	\$1,182,694	\$583,333	\$3,954,647

^(a) The net statement of financial position amount for plant and equipment includes Cameco's share of BPLP's nuclear generating plant under finance lease of \$320,424,000.

25. Intangible Assets

	Intellectual Property
At January 1, 2010	
Historical cost	\$118,819
Accumulated amortization	(21,106)
Net book value	\$97,713
Year ended December 31, 2010	
Opening net book value	\$97,713
Amortization charge	(3,443)
Closing net book value	\$94,270
At December 31, 2010	
Historical cost	\$118,819
Accumulated amortization	(24,549)
Net book value	\$94,270

The intangible asset value relates to intellectual property acquired with Cameco Fuel Manufacturing Inc. and is being amortized on a unit-of-production basis. Amortization is allocated to the cost of inventory and is recognized in cost of sales as inventory is sold.

26. Equity-Accounted Investees

	Dec 31/10
Beginning of year	\$222,564
Investment cost addition	\$13,582
Share of loss	(4,186)
Disposal of associate	(935)
Exchange differences and other	(10,595)
End of year	\$220,430

Summary financial information for Cameco's equity-accounted investees, adjusted for the percentage ownership held, is as follows:

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Expenses	Loss
January 1, 2010	\$36,938	\$30,482	\$1,687	\$3,142	\$ -	\$ -	\$ -
December 31, 2010	35,954	44,667	1,439	4,109	3,580	7,766	(4,186)

At December 31, 2010, the quoted value of the Company's share in associates having shares listed on recognized stock exchanges was \$103,186,000 (January 1, 2010 - \$46,861,000).

27. Accounts Payable and Accrued Liabilities

	Dec 31/10	Jan 1/10
Trade payables	\$260,619	\$378,539
Non-trade payables	97,232	98,266
Payables due to related parties [note 21]	29,580	17,277
Total	\$387,431	\$494,082

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 4 of the 2010 consolidated financial statements.

28. Provisions

	Reclamation	Waste Disposal	Total
Balance at January 1, 2010	\$316,114	\$40,715	\$356,829
Provisions made during the period	32,933	5,087	38,020
Provisions used during the period	(12,542)	(6,564)	(19,106)
Unwinding of discount	12,814	1,303	14,117
Impact of foreign exchange	(4,893)	-	(4,893)
Balance at December 31, 2010	\$344,426	\$40,541	\$384,967
Current	\$13,910	\$5,484	\$19,394
Non-current	330,516	35,057	365,573
	\$344,426	\$40,541	\$384,967

29. Company Entities

The following are the principal subsidiaries and associates of the Company:

	Country of Incorporation	Ownership Interest	
		Dec 31/10	Jan 1/10
Subsidiaries:			
Cameco Bruce Holdings Inc.	Canada	100%	100%
Cameco Bruce Holdings II Inc.	Canada	100%	100%
Cameco Royalty Inc.	Canada	100%	n/a
Cameco India Limited	Canada	100%	100%
alphaNUCLEAR Inc.	Canada	100%	100%
Cameco Global Exploration Ltd.	Canada	100%	100%
Northern Basins Uranium Ltd.	Canada	100%	51%
Cameco Global Exploration II Ltd.	Canada	100%	100%
Cameco Fuel Holdings Inc.	Canada	100%	100%
Cameco Fuel Manufacturing Inc.	Canada	100%	100%
Cameco UFP Holdings Canada Ltd.	Canada	100%	100%
Cameco U.S. Holdings, Inc.	U.S.	100%	100%
Cameco Inc.	U.S.	100%	100%
Power Resources, Inc.	U.S.	100%	100%
Crow Butte Resources, Inc.	U.S.	100%	100%
Cameco Enrichment Holdings LLC	U.S.	100%	100%
Cameco UFP Holdings LLC	U.S.	100%	100%
Cameco Ireland Company	Ireland	100%	100%
Cameco Australia Pty. Ltd.	Australia	100%	100%
Cameco Uranium Inc.	Barbados	100%	100%
Cameco Luxembourg S.A.	Luxembourg	100%	100%
Cameco Investments AG	Switzerland	100%	100%
Cameco Europe Ltd.	Switzerland	100%	100%
Cameco Europe (Central Asia) Ltd.	Switzerland	100%	n/a
Cameco Services Inc.	Barbados	100%	100%
Cameco Insurance Services Inc.	Barbados	100%	100%
Netherlands International Uranium B.V.	Netherlands	100%	100%
Cameco Mongolia LLC	Mongolia	100%	100%
Cameco Kazakhstan LLP	Kazakhstan	100%	n/a
Kintyre Uranium Project Joint Venture	Australia	70%	70%
Associates:			
GE-Hitachi Global Laser Enrichment LLC	U.S.	24.00%	24.00%
UEX Corporation	Canada	22.61%	21.17%
Huron Wind	Canada	33.33%	33.33%
Minergia S.A.C.	Peru	50.00%	25.00%
UFP Investments Inc.	U.S.	31.80%	10.60%