



Management's discussion and analysis

for the quarter ended June 30, 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 June 30, 2011 (interim financial statements). The information is based on what we knew as of August 3, 2011 and updates our first quarter MD&A and 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 and second quarters 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 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 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 expectation that fourth quarter deliveries will account 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

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

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 19 & 20, 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

Second quarter update

As a pure-play nuclear energy investment, we are well positioned as the world continues to require nuclear to meet the growing demand for safe, 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.

Management update

On July 1, 2011, Tim Gitzel assumed the role of president and chief executive officer (CEO). Tim joined the company in 2007 as senior vice-president and chief operating officer and was promoted to president in May of 2010. Prior to joining Cameco, he was executive vice-president, mining business unit for AREVA based in Paris, France with responsibility for uranium, gold, exploration and decommissioning operations in 11 countries around the world.

Tim replaces Jerry Grandey as CEO. Jerry retired after more than eight years as CEO and 18 years with Cameco.

Tim's transition to CEO was well planned and seamlessly executed.

In addition, on July 15, 2011, Grant Isaac was appointed senior vice-president and chief financial officer (CFO) and Alice Wong was appointed senior vice-president, corporate services. Both will report to the president and CEO, Tim Gitzel.

Grant Isaac, previously senior vice-president, corporate services, replaces Kim Goheen as CFO. Kim has retired after 14 years with Cameco. Alice Wong, previously vice-president, safety, health, environment, quality and regulatory relations, replaces Grant Isaac as senior vice-president, corporate services.

Under Tim's direction, the management team remains committed to the strategy, vision and values that have helped us become a global leader in the nuclear industry.

Our performance

Highlights (\$ millions except where indicated)	Three months ended June 30			Six months ended June 30				
	2011	2010	change	2011	2010	change		
Revenue	426	546	(22)%	880	1,031	(15)%		
Gross profit	108	180	(40)%	244	363	(33)%		
Net earnings	54	70	(23)%	145	213	(32)%		
\$ per common share (diluted)	0.14	0.18	(22)%	0.37	0.54	(31)%		
Adjusted net earnings (non-IFRS/GAAP measure, see pages 11 and 12)	70	116	(40)%	154	228	(32)%		
\$ per common share (adjusted and diluted)	0.18	0.29	(38)%	0.39	0.58	(33)%		
Cash provided by operations (after working capital changes)	20	271	(93)%	286	417	(31)%		
Average realized prices	Uranium	\$US/lb	45.65	41.31	11%	46.89	41.76	12%
		\$Cdn/lb	44.48	43.00	3%	46.60	44.23	5%
	Fuel services	\$Cdn/kgU	17.24	15.98	8%	18.50	19.28	(4)%
	Electricity	\$Cdn/MWh	55.00	58.00	(5)%	54.00	58.00	(7)%

Second quarter

As anticipated, our results for the second quarter and the first six months of 2011 were impacted by lower uranium sales volumes. We continue to expect sales to be heavily weighted toward the second half of the year. Net earnings attributable to our shareholders (net earnings) this quarter were \$54 million (\$0.14 per share diluted) compared to \$70 million (\$0.18 per share diluted) in the second quarter of 2010. Net earnings were down this quarter due to the items noted below, partially offset by higher gains on foreign exchange derivatives. The Canadian dollar strengthened in the second quarter of 2011 whereas it weakened relative to the US dollar in the second quarter of 2010.

On an adjusted basis, our earnings this quarter were \$70 million (\$0.18 per share diluted) compared to \$116 million (\$0.29 per share diluted) (non-IFRS/GAAP measure, see pages 11 and 12) in the second quarter of 2010. The decline was due to:

- 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 earnings from our electricity business due to a decline in sales, lower realized prices and higher costs
- higher income taxes

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

First six months

Net earnings in the first six months of the year were \$145 million (\$0.37 per share diluted) compared to \$213 million (\$0.54 per share diluted) in the first six months of 2010. Net earnings were lower than in 2010 due to the items noted below, partially offset by higher gains on foreign exchange derivatives.

On an adjusted basis, our earnings for the first six months of this year were \$154 million (\$0.39 per share diluted) compared to \$228 million (\$0.58 per share diluted) (non-IFRS/GAAP measure, see pages 11 and 12). The decline was due to:

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

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

Operations update

Highlights		Three months ended June 30			Six months ended June 30		
		2011	2010	change	2011	2010	change
Uranium	Production volume (million lbs)	5.7	4.9	16%	10.5	10.9	(4)%
	Sales volume (million lbs)	5.8	8.4	(31)%	11.9	14.9	(20)%
	Revenue (\$ millions)	256	359	(29)%	554	661	(16)%
Fuel services	Production volume (million kgU)	4.5	4.5	-	8.8	9.3	(5)%
	Sales volume (million kgU)	4.0	4.6	(13)%	6.4	6.8	(6)%
	Revenue (\$ millions)	70	73	(4)%	119	131	(9)%
Electricity	Output (100%) (TWh)	5.6	6.2	(10)%	12.0	13.0	(8)%
	Revenue (100%) (\$ millions)	314	359	(13)%	654	753	(13)%
	Our share of earnings before taxes (\$ millions)	10	32	(69)%	40	87	(54)%

Production in our uranium segment this quarter was up 16% compared to the second quarter of 2010 mainly due to a change in the production schedule at McArthur River/Key Lake. To optimize production for the year, we rescheduled the maintenance outage at the Key Lake mill from the second quarter to the first quarter. Due to planned variations in mill production at Rabbit Lake, production was 4% lower for the first six months of the year. Production remains on track for the year. See *Uranium 2011 Q2 Updates* for more information.

Key highlight:

- at Cigar Lake, we resumed the sinking of shaft 2 and also received regulatory approval of our mine plan

Production in our fuel services segment was the same this quarter as it was in the second quarter of 2010. Production for the first six months of the year decreased by 5%, largely due to operational issues in the first quarter and a planned shutdown in the second quarter to reduce inventory. We continue to expect production to be between 15 million and 16 million kgU this year.

In our electricity segment, BPLP's generation was 10% lower for the quarter and 8% lower for the first six months of the year, compared to the same periods last year. The capacity factor this quarter was 78% and 85% for the first six months of the year.

Uranium market update

It has been almost five months since the Fukushima-Daiichi nuclear power plant was damaged by the devastating earthquake and tsunami in Japan. As Japan continues to manage the effects of these events on its nuclear reactor fleet, the future role of nuclear energy in that country is also being discussed. While there are reports of strong support for nuclear from various industry groups in Japan, public sentiment is reportedly more cautious.

Other countries around the world have now had time to do a preliminary review of their nuclear programs. With very few exceptions, we see these countries continuing their commitment to nuclear energy. India, China, France, Russia, South Korea, the United Kingdom, Canada, the United States, and almost every other country with a nuclear program are maintaining nuclear as a part of their energy mix.

There are a few exceptions, Germany being the most notable. Germany, which has 17 nuclear reactors, representing 5% of the global generating capacity, has decided to revert to its previous phase out policy. Currently, eight of its

reactors (about 2% of global generating capacity) are shutdown; we do not expect these reactors to restart. Germany has indicated it plans to shut down the remaining nine reactors by 2022.

Despite these changes, the nuclear industry is growing. Other previously non-nuclear countries are considering adding nuclear to their energy programs in the future. Saudi Arabia, for example, recently announced its plan to build 16 reactors by 2030. Its plan includes building the first two reactors over the next 10 years and adding two new reactors every year thereafter. The Saudis are targeting nuclear power to provide 20% of their electricity needs in the future. Saudi Arabia has signed nuclear co-operation agreements with France and Argentina, and has announced plans to sign agreements with China and South Korea in the near future. We have not incorporated this announcement from Saudi Arabia into our supply and demand outlook below.

We have reviewed our supply and demand outlook from the first quarter and revised our estimates to reflect Germany's decision to move away from nuclear and the current status of Japan's nuclear fleet. As a result, we expect:

- over the next 10 years, world uranium demand to decline to about 2.1 billion pounds, compared to our previous estimate of 2.2 billion pounds (about a 3% decline)
- in 2020, annual world consumption to decrease to about 225 million pounds, about a 5 million pound reduction from our previous estimate. This represents an average annual growth rate of about 3%.
- about 85 net new reactors by 2020 compared to our previous estimate of about 90
- global uranium consumption in 2011 to decrease to about 175 million pounds, a 3% reduction from our previous estimate of about 180 million pounds
- global uranium production to be about 145 million pounds in 2011, unchanged from our previous estimate
- world consumption of UF₆ and UO₂ conversion services to decrease to about 65 million kgU in 2011 compared to our previous estimate of about 70 million kgU

Despite the expected decreases in our estimates noted above, we continue to expect annual global consumption to exceed annual global mine production by a significant margin over the next 10 years, a situation that has existed since about 1986. We expect the new supply required to meet global uranium demand to be about 270 million pounds over the next 10 years (our previous estimate was 320 million pounds).

About 70% of global uranium supply over the next 10 years is expected to come from mines currently in commercial operation, less than 20% is expected to come from existing secondary supply sources and the remainder is expected to come from new sources of supply (unchanged from our previous estimate).

With our extensive portfolio of long-term sales contracts, we are in the enviable position of being heavily committed until 2016. As a result, we expect the impact of changes in the global supply and demand outlook on us to be significantly less.

We will continue to monitor announcements and developments in the nuclear industry. When we believe we have adequate information, we will report the expected impact on our uranium supply and demand outlook.

Our industry continues to respond in a responsible manner to the events in Japan. We, and others in our industry, are reviewing the lessons learned from this event and, where applicable, incorporating them to ensure the health and safety of employees, communities and the environment. Governments, regulators and the general public are looking for assurances that every segment of the industry has learned and applied the lessons resulting from Fukushima. Our industry is applying the lessons learned and will continue to take every possible step to identify and mitigate risks.

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

Industry prices

	Jun 30 2011	Mar 31 2011	Jun 30 2010	Mar 31 2010
Uranium (\$US/lb U ₃ O ₈) ¹				
Average spot market price	52.88	60.50	41.75	41.88
Average long-term price	68.00	70.00	59.00	59.00
Fuel services (\$US/kgU UF ₆) ¹				
Average spot market price				
• North America	11.00	12.00	7.00	5.63
• Europe	11.00	12.00	7.88	7.50
Average long-term price				
• North America	16.00	15.75	11.25	11.00
• Europe	16.25	16.00	12.75	12.75
Note: the industry does not publish UO ₂ prices.				
Electricity (\$/MWh)				
Average Ontario electricity spot price	28.00	32.00	34.00	34.00

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 second quarter of 2011 was about 9.2 million pounds U₃O₈. This compares to about 9.6 million pounds in the second quarter of 2010. For the first half of the year, spot purchases totalled 28.3 million pounds compared to 22.7 million pounds for the same period in 2010.

Continued uncertainty coupled with Germany, Switzerland and Italy deciding to cancel their nuclear programs put downward pressure on the spot price. At the end of the quarter, the average spot price was \$52.88 (US) per pound and has continued to drift down with Ux reporting \$52.25 (US) per pound on August 1, 2011. Demand remains extremely discretionary and buyers are very price sensitive.

The long-term uranium price declined slightly during 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 U₃O₈ since 2004, so we expect uranium demand in the near term to remain discretionary.

Spot market UF₆ conversion prices dropped at the beginning of the quarter, then levelled off in May and June. Long-term UF₆ conversion price indicators increased throughout the quarter.

Long-term fundamentals are strong

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 safe, 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 August 2, 2011, we had:

- 394,712,003 common shares and one Class B share outstanding
- 8,703,696 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.

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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 June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Revenue	426	546	(22)%	880	1,031	(15)%
Net earnings	54	70	(23)%	145	213	(32)%
\$ per common share (basic)	0.14	0.18	(22)%	0.37	0.54	(31)%
\$ per common share (diluted)	0.14	0.18	(22)%	0.37	0.54	(31)%
Adjusted net earnings (non-IFRS/GAAP measure, see page 4)	70	116	(40)%	154	228	(32)%
\$ per common share (adjusted and diluted)	0.18	0.29	(38)%	0.39	0.58	(33)%
Cash provided by operations (after working capital changes)	20	271	(93)%	286	417	(31)%

Net earnings

Net earnings this quarter were \$54 million (\$0.14 per share diluted) compared to \$70 million (\$0.18 per share diluted) in the second quarter of 2010 due to:

- 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 earnings from our electricity business due to a decline in sales, lower realized prices and higher costs
- higher income taxes
- partially offset by higher gains on foreign exchange derivatives

Net earnings in the first six months of the year were \$145 million (\$0.37 per share diluted) compared to \$213 million (\$0.54 per share diluted) in the first six months of 2010 due to:

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

The following table shows the items that contribute to the difference between our Canadian GAAP and IFRS earnings for the three months and six months ended June 30, 2010. For more information about these accounting differences see note 3 to our interim financial statements.

2010 changes in earnings (\$ millions)	Three months ended June 30	Six months ended June 30
Net earnings – Canadian GAAP	68	210
Accounting differences		
Borrowing costs	(11)	(21)
Decommissioning provision	2	1
In-process research & development	3	6
BPLP – pension and maintenance costs	8	8
Income taxes – tax effect on differences	-	2
Income taxes – IFRS accounting difference	-	6
All other	-	1
Total accounting differences	2	3
Net earnings – IFRS	70	213

Adjusted net earnings (non-IFRS/GAAP measures)

Adjusted net earnings is a measure with no standardized meaning under IFRS (non-IFRS measure). We use this measure as a more meaningful way to compare our financial performance from period to period. Adjusted net earnings is our net earnings adjusted for unrealized gains and losses on our financial instruments to better reflect the underlying financial performance for the reporting period. The adjusted earnings measure reflects the matching of the net benefits of our hedging program with the inflows of foreign currencies. 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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Net earnings	54	70	145	213
Adjustments on derivatives (after tax) ¹	16	46	9	15
Adjusted net earnings	70	116	154	228

¹ In 2008, we opted to discontinue hedge accounting for our portfolio of foreign currency forward sales contracts. Since then, we have adjusted our gains or losses on derivatives as reported under IFRS to reflect what our earnings would have been had we continued to apply hedge accounting.

The table that follows describes what contributed to the changes in adjusted net earnings this quarter and for the first six months of the year.

Change in adjusted net earnings (\$ millions)		Three months ended June 30	Six months ended June 30
Adjusted net earnings – 2010		116	228
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	(39)	(48)
	Higher realized prices (\$US)	26	64
	Foreign exchange impact on realized prices	(17)	(36)
	Higher costs	(11)	(28)
	change - uranium	(41)	(48)
Fuel services	Lower sales volumes	(2)	(2)
	Higher (lower) realized prices (\$Cdn)	5	(5)
	Higher costs	(9)	(14)
	change – fuel services	(6)	(21)
Electricity	Lower sales volumes	(4)	(7)
	Lower realized prices (\$Cdn)	(3)	(13)
	Higher costs	(18)	(30)
	change – electricity	(25)	(50)
Other changes			
	Higher realized gains on derivatives & foreign exchange	30	45
	Higher income taxes	(7)	(3)
	Cigar Lake remediation	4	3
	Miscellaneous	(1)	-
Adjusted net earnings - 2011		70	154

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

Average realized prices

		Three months ended June 30			Six months ended June 30		
		2011	2010	change	2011	2010	change
Uranium	\$US/lb	45.65	41.31	11%	46.89	41.76	12%
	\$Cdn/lb	44.48	43.00	3%	46.60	44.23	5%
Fuel services	\$Cdn/kgU	17.24	15.98	8%	18.50	19.28	(4)%
Electricity	\$Cdn/MWh	55.00	58.00	(5)%	54.00	58.00	(7)%

Quarterly trends

Highlights (\$ millions except per share amounts)	2011		2010				Canadian GAAP 2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	426	454	673	419	546	485	659	518
Net earnings	54	91	205	98	70	143	598	172
\$ per common share (basic)	0.14	0.23	0.52	0.25	0.18	0.36	1.52	0.44
\$ per common share (diluted)	0.14	0.23	0.51	0.25	0.18	0.36	1.52	0.44
Adjusted net earnings (non-IFRS/GAAP measures, see pages 11 & 12)	70	84	189	80	116	112	170	94
\$ per share diluted	0.18	0.21	0.48	0.21	0.29	0.28	0.43	0.24
Earnings from continuing operations	54	91	205	98	70	143	174	195
\$ per common share (basic)	0.14	0.23	0.52	0.25	0.18	0.36	0.44	0.49
\$ per common share (diluted)	0.14	0.23	0.51	0.25	0.18	0.36	0.44	0.49
Cash provided by operations	20	266	109	(5)	271	146	188	175

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

(\$ millions)	2011		2010				Canadian GAAP 2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net earnings	54	91	205	98	70	143	598	172
Adjustments (net of tax)								
Unrealized losses (gains) on financial instruments	16	(7)	(16)	(18)	46	(31)	(4)	(101)
Loss (earnings) from discontinued operations	-	-	-	-	-	-	(424)	23
Adjusted net earnings (non-IFRS/GAAP measures, see pages 11 & 12)	70	84	189	80	116	112	170	94

Key things to note:

- Our financial results are strongly influenced by the performance of our uranium segment, which accounted for 60% of consolidated revenues in the second 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/GAAP 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 June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Direct administration	33	30	10%	64	59	8%
Stock-based compensation	1	(1)	200%	4	1	300%
Total administration	34	29	17%	68	60	13%

Direct administration costs were \$33 million this quarter, or \$3 million higher than the same period last year. Through the first six months of 2011, our direct administration costs were 8% higher than in 2010. 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 \$17 million this quarter down \$1 million compared to the same quarter in 2010. Exploration expenses in the first six months of the year increased to \$35 million from \$33 million in 2010. Exploration in 2011 is focused on Canada, Australia, Kazakhstan and the United States.

Gains and losses on derivatives

We recorded \$12 million in mark-to-market gains on our financial instruments this quarter, compared to losses of \$60 million in the second quarter of 2010. In the first six months of the year, we recorded \$36 million in mark-to-market gains on our financial instruments compared to losses of \$17 million in 2010. These gains reflect the strengthening of the Canadian dollar in 2011.

Income taxes

In the second quarter of 2011, we recorded an income tax recovery of \$1 million compared to \$19 million in the second quarter of 2010. The decline in recoveries this quarter was mainly due to a higher proportion of income being earned in Canada in 2011, which was largely attributable to the gains we recorded on our derivatives.

On an adjusted basis, we recorded an income tax expense of \$5 million this quarter compared to a recovery of \$2 million in the second quarter of 2010. Our effective tax rate this quarter on an adjusted net earnings basis reflects an expense of 7% compared to a recovery of 2% for the second quarter of 2010.

In the first six months of 2011, we recorded an income tax expense of \$3 million compared to a recovery of \$2 million in 2010. In spite of a decline in pre-tax income in 2011, our net tax expense increased compared to 2010 due to higher earnings in jurisdictions with relatively higher tax rates.

On an adjusted basis, we recorded an income tax expense of \$6 million in the first six months of 2011 compared to \$3 million in 2010. Our effective tax rate for the first six months of 2011, on an adjusted net earnings basis, reflects an expense of 4% compared to 1% in 2010.

Foreign exchange

At June 30, 2011:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$0.96 (Cdn), down from \$1.00 (US) for \$0.97 (Cdn) at March 31, 2011. The exchange rate averaged \$1.00 (US) for \$0.97 (Cdn) over the quarter.
- We had foreign currency contracts of \$1.2 billion (US) and EUR 92 million. The US currency contracts had an average exchange rate of \$1.00 (US) for \$1.00 (Cdn).
- The mark-to-market gain on all foreign exchange contracts was \$37 million compared to a \$54 million gain at March 31, 2011. We received cash of \$27 million this quarter and \$44 million for the first six months of the year 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 fuel services unit cost of produced product sold, electricity capacity and capital expenditures has changed from the outlook included in our first quarter MD&A. We explain the 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	-	-	-	87%
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 5% to 10%	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	\$590 million⁴	-	-	\$80 million

¹Based on a uranium spot price of \$52.25 (US) per pound (the Ux spot price as of August 1, 2011), a long-term price indicator of \$68.00 (US) per pound (the Ux long-term indicator on July 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.

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 fourth quarter to account for about one-third of our 2011 sales volumes.

We now expect unit cost of produced product sold for fuel services to increase by 5% to 10% over 2010 (previously a 2% to 5% increase) primarily due to increased sales in the fuel manufacturing division.

Electricity capacity factor in 2011 is expected to decrease to 87% compared to 89% as previously reported. The change in outlook is largely the result of increased planned outage days when compared to 2010.

We expect capital expenditures to be about \$590 million in 2011 compared to our previous estimate of \$620 million due to changes in the scheduling of some projects. We do not expect this reduction in capital expenditures in 2011 will impact our plans to double annual uranium production by 2018.

Sensitivity analysis

For the rest of 2011:

- a change of \$5 (US) per pound in both the Ux spot price (\$52.25 (US) per pound on August 1, 2011) and the Ux long-term price indicator (\$68.00 (US) per pound on July 25, 2011) would change revenue by \$22 million and net earnings by \$16 million
- a change of \$5 in the electricity spot price would change our 2011 net earnings by \$1 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 \$10 million and adjusted net earnings by \$3 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 \$251 million lower this quarter than in 2010 due largely to higher working capital requirements. Working capital changes required \$179 million in 2011, primarily due to an increase in uranium inventories during the quarter. In 2010, working capital provided \$73 million in cash largely due to decreases in accounts receivable and product inventories. Not including working capital requirements, our operating cash flows this quarter were down by \$71 million, largely due to lower uranium sales volumes and lower profits in the electricity business. See *Financial results by segment* for details.

Cash from operations was \$131 million lower for the first six months of 2011 than for the same period in 2010 mainly due to lower profits from the electricity business and lower uranium sales volumes. Not including working capital requirements, our operating cash flows in the first six months were down by \$148 million.

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 June 30, 2011, the same as at March 31, 2011. At June 30, 2011, we had approximately \$545 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 June 30, 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 June 30, 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)	Jun 30, 2011	Dec 31, 2010	change
Cash and short-term investments	1,219	1,260	(3)%
Total debt	1,026	1,039	(1)%
Inventory	669	533	26%

Total cash and short-term investments at June 30, 2011 were \$1,219 million, or 3% lower than at December 31, 2010, exceeding our total debt by \$193 million.

Total debt declined by \$13 million to \$1,026 million at June 30, 2011. Of this total, \$93 million was classified as current, down \$6 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 26% to \$669 million. This was the result of higher uranium and fuel services inventories, as sales were lower than production and purchases in the first six months of the year. In addition, the average carrying cost for uranium increased due to material purchased at near-market prices and higher costs for produced uranium.

Financial results by segment

Uranium

Highlights	Three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Production volume (million lbs)	5.7	4.9	16%	10.5	10.9	(4)%
Sales volume (million lbs)	5.8	8.4	(31)%	11.9	14.9	(20)%
Average spot price (\$US/lb)	55.04	41.42	33%	61.31	41.60	47%
Average realized price (\$US/lb)	45.65	41.31	11%	46.89	41.76	12%
Average realized price (\$Cdn/lb)	44.48	43.00	3%	46.60	44.23	5%
Cost of sales (\$Cdn/lb U ₃ O ₈) (including DDR)	29.61	27.79	7%	30.95	28.54	8%
Revenue (\$ millions)	256	359	(29)%	554	661	(16)%
Gross profit (\$ millions)	86	127	(32)%	186	234	(21)%
Gross profit (%)	34	35	(3)%	34	35	(3)%

Second quarter

Production volumes this quarter were 16% higher compared to the second quarter of 2010 primarily due to higher production at McArthur River/Key Lake. See *Operating properties* for more information.

Uranium revenues this quarter were down 29% compared to 2010, due to a 31% decline in sales volumes partially offset by a 3% increase in the \$Cdn realized selling price.

Our realized prices this quarter were higher than the second quarter of 2010 mainly due to higher \$US prices under market-related contracts, partially offset by a less favourable exchange rate. In the second quarter of 2011, our realized foreign exchange rate was \$0.97 compared to \$1.04 in the prior year.

Total cash cost of sales (excluding DDR) decreased by 25% (\$148 million compared to \$197 million in 2010). This was mainly the result of the following:

- the 31% decline in sales volumes
- average unit costs for produced uranium were 5% higher largely due to standby costs paid to AREVA relating to the McClean Lake JEB mill
- average unit costs for purchased uranium were 18% higher due to increased purchases at spot prices

The net effect was a \$41 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 June 30	Unit cash cost of sale (\$Cdn/lb U ₃ O ₈)			Quantity sold (million lbs)		
	2011	2010	change	2011	2010	change
Produced	24.88	23.80	5%	3.5	6.5	(46)%
Purchased	27.01	22.82	18%	2.3	1.9	21%
Total	25.71	23.58	9%	5.8	8.4	(31)%

First six months

Production volumes for the first six months of the year were 4% lower than in the previous year due to planned variations in mill production at Rabbit Lake. See *Operating properties* for more information.

For the first six months of 2011, uranium revenues were down 16% compared to 2010, due to a 20% decline in sales volumes partially offset by a 5% increase in the \$Cdn realized selling price. As we anticipated, deliveries in the second quarter were low.

Our realized prices were higher than the first six months of 2010 mainly due to higher \$US prices under market-related contracts, partially offset by a less favourable exchange rate. In the first six months of 2011, our realized foreign exchange rate was \$0.99 compared to \$1.06 in the prior year.

Total cash cost of sales (excluding DDR) decreased by 11% (\$323 million compared to \$363 million in 2010). This was mainly the result of the following:

- the 20% decline in sales volumes
- average unit costs for produced uranium were 6% higher due to increased unit production costs relating to the lower production during the first six months. 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 23% higher due to increased purchases at spot prices

The net effect was a \$48 million decrease in gross profit for the first six months.

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.

Six months ended June 30	Unit cash cost of sale (\$Cdn/lb U ₃ O ₈)			Quantity sold (million lbs)		
	2011	2010	change	2011	2010	change
Produced	25.58	24.22	6%	7.5	11.0	(32)%
Purchased	29.95	24.39	23%	4.4	3.9	13%
Total	27.17	24.27	12%	11.9	14.9	(20)%

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 June 30, 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 June 30, 2011, and none of the assumptions listed on the following page change.

Expected realized uranium price sensitivity under various spot price assumptions

(rounded to the nearest \$1.00)

(\$US/lb U ₃ O ₈)							
Spot prices	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2011	44	46	50	54	57	61	65
2012	38	42	50	58	67	75	83
2013	46	48	56	64	73	81	88
2014	49	51	59	67	75	84	91
2015	46	50	59	68	78	88	96

The table illustrates the mix of long-term contracts in our June 30, 2011 portfolio, and is consistent with our contracting strategy. The table has been updated to reflect deliveries made and contracts entered into up to June 30, 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 3.5% per year for Canada and 2.5% per year for the United States and the United Kingdom (our prior inflation assumption was 2% per year)

Fuel services

(includes results for UF₆, UO₂ and fuel fabrication)

Highlights	Three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Production volume (million kgU)	4.5	4.5	-	8.8	9.3	(5)%
Sales volume (million kgU)	4.0	4.6	(13)%	6.4	6.8	(6)%
Realized price (\$Cdn/kgU)	17.24	15.98	8%	18.50	19.28	(4)%
Cost of sales (\$Cdn/kgU) (including DDR)	14.13	12.01	18%	15.48	13.27	17%
Revenue (\$ millions)	70	73	(4)%	119	131	(9)%
Gross profit (\$ millions)	13	18	(28)%	19	41	(54)%
Gross profit (%)	19	25	(24)%	16	31	(48)%

Second quarter

Total revenue was \$3 million lower than in 2010 as an 8% increase in the average realized price for our fuel services products was offset by an 13% decrease in sales volumes.

Our \$Cdn realized price for fuel services was affected by the mix of products delivered in the quarter. In 2011, 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 4% (\$57 million compared to \$55 million in the second quarter of 2010) due to the mix of products delivered in the quarter which caused the average unit cost of sales to be 18% higher.

The net effect was a \$5 million decrease in gross profit.

First six months

In the first six months of the year, total revenue decreased by 9% due to a 6% decrease in sales volumes and a 4% decline in the realized selling price.

The total cost of products and services sold (including DDR) increased by 11% (\$100 million compared to \$90 million in 2010) due to the increase in the unit cost of product sold. The average unit cost of sales was 17% higher due to lower production levels in the first six months of 2011 and the recognition of higher cost recoveries in 2010.

The net effect was a \$22 million decrease in gross profit.

Electricity

BPLP

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

Highlights (\$ millions except where indicated)	Three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Output - terawatt hours (TWh)	5.6	6.2	(10)%	12.0	13.0	(8)%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	78%	86%	(9)%	85%	92%	(8)%
Realized price (\$/MWh)	55 ¹	58	(5)%	54 ²	58	(7)%
Average Ontario electricity spot price (\$/MWh)	28	37	(24)%	30	35	(14)%
Revenue	314	359	(13)%	654	753	(13)%
Operating costs (net of cost recoveries)	270	247	9%	503	456	10%
Cash costs	224	205	9%	410	373	10%
Non-cash costs	46	42	10%	93	83	12%
Income before interest and finance charges	44	112	(61)%	151	297	(49)%
Interest and finance charges	10	7	43%	16	14	14%
Cash from operations	121	226	(46)%	240	391	(39)%
Capital expenditures	58	56	4%	97	73	33%
Distributions	55	155	(65)%	125	305	(59)%
Operating costs (\$/MWh)	47 ¹	40	18%	41 ²	35	17%

¹Three months ended June 30, 2011 are based on actual generation of 5.6 TWh plus deemed generation of 0.2 TWh

²Six months ended June 30, 2011 are based on actual generation of 12.0 TWh plus deemed generation of 0.2 TWh

Our earnings from BPLP

Highlights (\$ millions except where indicated)	Three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
BPLP's earnings before taxes (100%)	34	105	(68)%	135	283	(52)%
Cameco's share of pretax earnings before adjustments (31.6%)	11	33	(67)%	43	89	(52)%
Proprietary adjustments	(1)	(1)	-	(3)	(2)	(50)%
Earnings before taxes from BPLP	10	32	(69)%	40	87	(54)%

Second quarter

Total electricity revenue decreased 13% this quarter compared to the second 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 \$123 million this quarter under its agreement with the OPA, compared to \$80 million in the second quarter of 2010. About 60% of BPLP's output was sold under financial contracts this quarter, compared to 39% in the second quarter of 2010. Pricing under these contracts was lower than in 2010. From time to time BPLP enters the market to lock in the gains under these contracts.

The capacity factor was 78% this quarter, down from 86% in the second quarter of 2010 due to a higher volume of outage days during this year's planned outage compared to last year's planned outage. Operating costs were \$270 million compared to \$247 million in 2010 due to higher maintenance costs incurred during outage periods and increased staff costs.

The result was a 69% decrease in our share of earnings before taxes.

BPLP distributed \$55 million to the partners in the second quarter. Our share was \$17 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

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

First six months

Total electricity revenue for the first six months decreased 13% compared to 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 \$232 million in the first six months of 2011 under its agreement with the OPA, compared to \$183 million in the first six months of 2010. The equivalent of about 48% of BPLP's output was sold under financial contracts in the first six months of this year, compared to 39% in 2010. Pricing under these contracts was lower than in 2010. From time to time BPLP enters the market to lock in the gains under these contracts.

The capacity factor was 85% for the first six months of this year, down from 92% in 2010 due to a higher volume of outage days during this year's planned outage compared to last year's planned outage. Operating costs were \$503 million compared to \$456 million in 2010 due to higher maintenance costs incurred during outage periods and increased staff costs.

The result was a 54% decrease in our share of earnings before taxes.

BPLP distributed \$125 million to the partners in the first six months of 2011. Our share was \$40 million.

Our operations and development projects

Uranium – production overview

Our production this quarter was 16% higher than a year ago, mainly due to a change in the production schedule at McArthur/Key Lake. Due to planned variations in mill production at Rabbit Lake, production was 4% lower for the first six months of the year. Production remains on track for the year. See *Uranium 2011 Q2 updates* for more information.

Uranium production

Cameco's share (million lbs U ₃ O ₈)	Three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
McArthur River/Key Lake	3.7	2.5	48%	6.2	6.2	-
Rabbit Lake	0.7	1.1	(36)%	1.7	2.1	(19)%
Smith Ranch-Highland	0.5	0.4	25%	0.9	0.9	-
Crow Butte	0.2	0.2	-	0.4	0.4	-
Inkai	0.6	0.7	(14)%	1.3	1.3	-
Total	5.7	4.9	16%	10.5	10.9	(4)%

Outlook

We have geographically diversified sources of production. We expect to produce about 123 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	2.7	2.8	3.8	4.1
Inkai	2.7	3.1	3.1	3.1	3.1
Cigar Lake	-	-	1.0	2.0	5.6
Total	21.9	22.5	23.6	25.6	29.5

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 (100% basis)
- 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 Q2 updates

Operating properties

McArthur River/Key Lake

Production update

At McArthur River/Key Lake, production in the second quarter was 48% higher than the same period last year. To optimize production for the year, we rescheduled the maintenance outage at the Key Lake mill from the second quarter to the first quarter.

Operations update

At Key Lake, we continued work on the new oxygen, acid and steam plants. We expect to complete and commission the plants this year.

Rabbit Lake

Production update

Production remains 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

At the end of May we commenced the next phase of upgrades at the acid plant. We expect to complete this work during the planned maintenance shutdown in the third quarter and return the mill to full service in September.

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

During the first six months, Inkai experienced brief interruptions to its sulphuric acid supply. This quarter, the supply shortage had a small impact on production. Sulphuric acid supply is tight in Kazakhstan due to competing demand from the fertilizer industry. We are exploring alternative sources of sulphuric acid; if availability continues to be an issue, production may be impacted for the year.

We continue to proceed with delineation drilling and the engineering of infrastructure and the test leach facility at block 3.

Development project

Cigar Lake

During the quarter, we established the freeze wall for shaft 2 and resumed shaft sinking. We expect to reach the main mine workings on the 480 metre level before the end of the year. The final depth of the shaft will be 500 metres.

As part of our surface freeze strategy, we began drilling freezeholets from surface.

We received regulatory approvals for our mine plan and to begin work on our Seru Bay project. This project involves establishing the infrastructure to allow the release of treated water directly to Seru Bay of Waterbury Lake.

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 our first quarter MD&A we indicated our plan to file an updated technical report in the third quarter, updating our estimates, including our capital cost estimate, production rampup schedule, operating cost estimate and mineral reserve and resource estimates. We are currently evaluating a number of strategic initiatives which may favourably impact some of these estimates. This work may not be completed in the third quarter. Once we have completed our evaluation, decided on the best course of action and incorporated the results into our mine plan, we plan to file an updated technical report.

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

We continue to advance the Kintyre and Millennium projects toward development decisions using our stage gate process. See our annual MD&A for more information regarding these projects.

Fuel services 2011 Q2 updates

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

Production update

Fuel services production totalled 4.5 million kgU this quarter, the same as in the second quarter of 2010.

Production for the first six months of the year was 8.8 million kgU compared to 9.3 million kgU in the first six months of 2010. We experienced operational issues in the first quarter at the Port Hope conversion facility which were resolved following a two week shutdown. In the second quarter, we had a planned shutdown of the UO₂ plant to reduce inventory levels.

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

- Dave Neuberger, vice-president, international mining, Cameco

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 \$32.9 million for construction and contracting services during the first six months (2010 - \$9.7 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 note 2 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 June 30, 2011, we carried out an evaluation under the supervision and with the participation of our management, including our CEO and CFO, 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 June 30, 2011, the CEO and CFO 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 CEO and CFO, 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 June 30, 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 International Accounting Standards Board (“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, *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. We are assessing the impact of this new standard on our financial statements.

Consolidated financial statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* (“IFRS 10”). This standard is effective for periods beginning on or after January 1, 2013 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. We are assessing the impact of this new standard on our financial statements.

Joint arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* (“IFRS 11”). This standard is effective for periods beginning on or after January 1, 2013 and establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 requires a party to assess the rights and obligations arising from an arrangement in determining whether an arrangement is either a joint venture or a joint operation. Joint ventures are to be accounted for using the equity method while joint operations will continue to be accounted for using proportionate consolidation. We are assessing the impact of this new standard on our financial statements.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”). This standard is effective for periods beginning on or after January 1, 2013 and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 integrates and makes consistent the disclosure requirements for a reporting entity’s interest in other entities and presents those requirements in a single standard. We are assessing the impact of this new standard on our financial statements.

Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (“IFRS 13”). This standard is effective for periods beginning on or after January 1, 2013 and provides additional guidance where IFRS requires fair value to be used. IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurements. We are assessing the impact of this new standard on our financial statements.

Employee benefits

In June 2011, the IASB issued an amended version of IAS 19, *Employee Benefits* (“IAS 19”). This amendment is effective for periods beginning on or after January 1, 2013 and eliminates the ‘corridor method’ of accounting for defined benefit plans. Revised IAS 19 also streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, and enhances the disclosure requirements for defined benefit plans. We are assessing the impact of this revised standard on our financial statements.

Presentation of other comprehensive income (OCI)

In June 2011, the IASB issued an amended version of IAS 1, *Presentation of Financial Statements* ("IAS 1"). This amendment is effective for periods beginning on or after January 1, 2012 and requires companies preparing financial statements in accordance with IFRS to group together items within OCI that may be reclassified to the profit or loss section of the statement of earnings. Revised IAS 1 also reaffirms existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. We are assessing the impact of this revised 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 second 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.

Cameco Corporation
Consolidated Statements of Earnings

(Unaudited)

(\$Cdn Thousands, except per share amounts)

	Note	Three Months Ended		Six Months Ended	
		Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Revenue from products and services		\$425,705	\$546,055	\$879,965	\$1,030,771
Cost of products and services sold		268,059	306,123	536,783	555,063
Depreciation, depletion and amortization		49,758	60,074	98,871	112,252
Cost of sales		317,817	366,197	635,654	667,315
Gross profit		107,888	179,858	244,311	363,456
Administration		34,205	28,937	67,968	59,889
Exploration		17,133	17,743	34,958	32,910
Research and development		732	933	1,727	1,621
Cigar Lake remediation		1,395	5,126	4,447	7,839
Loss (gain) on sale of assets		719	(51)	695	183
Earnings from operations		53,704	127,170	134,516	261,014
Finance costs	10	(19,704)	(21,307)	(39,562)	(43,636)
Gains (losses) on derivatives	15	11,859	(59,695)	35,588	(17,070)
Finance income		6,463	4,428	13,116	8,171
Share of loss from equity-accounted investees		(2,324)	(1,865)	(5,016)	(2,839)
Other income		352	628	4,975	2,633
Earnings before income taxes		50,350	49,359	143,617	208,273
Income tax expense (recovery)	11	(873)	(18,714)	2,934	(2,081)
Net earnings		\$51,223	\$68,073	\$140,683	\$210,354
Net earnings (loss) attributable to:					
Equity holders		\$53,742	\$70,171	\$145,226	\$213,337
Non-controlling interest		(2,519)	(2,098)	(4,543)	(2,983)
Net earnings		\$51,223	\$68,073	\$140,683	\$210,354
Earnings per common share attributable to equity holders					
Basic	16	\$0.14	\$0.18	\$0.37	\$0.54
Diluted	16	\$0.14	\$0.18	\$0.37	\$0.54

See accompanying notes to condensed consolidated interim financial statements.

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

	Note	Three Months Ended		Six Months Ended	
		Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Net earnings		\$51,223	\$68,073	\$140,683	\$210,354
Other comprehensive income (loss), net of taxes	11				
Exchange differences on translation of foreign operations		11,942	20,745	(11,439)	(8,422)
Gains (losses) on derivatives designated as cash flow hedges		1,511	(5,464)	3,122	10,303
Gains on derivatives designated as cash flow hedges transferred to net earnings		(5,102)	(21,056)	(11,232)	(36,518)
Unrealized gains on available-for-sale securities		217	50	684	933
Gains on available-for-sale securities transferred to net earnings		(5)	(2)	(1,840)	(2,629)
Other comprehensive income (loss), net of taxes		8,563	(5,727)	(20,705)	(36,333)
Total comprehensive income		\$59,786	\$62,346	\$119,978	\$174,021
Other comprehensive income (loss) attributable to:					
Equity holders		\$3,611	\$(25)	\$(23,346)	\$(29,201)
Non-controlling interest		4,952	(5,702)	2,641	(7,132)
Other comprehensive income (loss) for the period		\$8,563	\$(5,727)	\$(20,705)	\$(36,333)
Total comprehensive income (loss) attributable to:					
Equity holders		\$57,353	\$70,146	\$121,880	\$184,136
Non-controlling interest		2,433	(7,800)	(1,902)	(10,115)
Total comprehensive income for the period		\$59,786	\$62,346	\$119,978	\$174,021

See accompanying notes to condensed consolidated interim financial statements.

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

	Note	As At	
		Jun 30/11	Dec 31/10
Assets			
Current assets			
Cash and cash equivalents		\$346,131	\$376,621
Short-term investments		873,191	883,032
Accounts receivable		216,583	448,479
Current tax assets		36,800	42,190
Inventories	5	668,815	533,090
Supplies and prepaid expenses		193,851	190,079
Current portion of long-term receivables and other	6	81,837	91,447
Total current assets		2,417,208	2,564,938
Property, plant and equipment			
Intangible assets		4,096,432	3,954,647
Long-term receivables, investments and other	6	100,866	94,270
Investments in equity-accounted investees		312,132	342,675
Deferred tax assets		204,122	220,430
		25,819	25,594
Total non-current assets		4,739,371	4,637,616
Total assets		\$7,156,579	\$7,202,554
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$351,356	\$387,431
Current tax liabilities		205	35,042
Short-term debt		78,942	85,588
Dividends payable		39,471	27,605
Current portion of finance lease obligation		13,999	13,177
Current portion of other liabilities	7	27,165	28,228
Current portion of provisions		17,851	19,394
Total current liabilities		528,989	596,465
Long-term debt			
Finance lease obligation		794,810	794,483
Other liabilities	7	138,566	145,834
Provisions		391,350	405,477
Deferred tax liabilities		363,359	365,573
		7,949	26,270
Total non-current liabilities		1,696,034	1,737,637
Shareholders' equity			
Share capital		1,841,765	1,833,257
Contributed surplus		147,708	142,376
Retained earnings		2,756,468	2,690,184
Other components of equity		1,150	24,496
Total shareholders' equity attributable to equity holders		4,747,091	4,690,313
Non-controlling interest			
		184,465	178,139
Total shareholders' equity		4,931,556	4,868,452
Total liabilities and shareholders' equity		\$7,156,579	\$7,202,554

Commitments and contingencies [notes 11,14]

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
 Consolidated Statements of Changes in Equity
(Unaudited)
(\$Cdn Thousands)

	Attributable to equity holders						Total	Non-Controlling Interest	Total Equity
	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation	Cash Flow Hedges	Available-For-Sale Assets			
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	-	-	145,226	(14,080)	(8,110)	(1,156)	121,880	(1,902)	119,978
Stock-based compensation	-	11,320	-	-	-	-	11,320	-	11,320
Share options exercised	8,508	(5,988)	-	-	-	-	2,520	-	2,520
Transactions with owners - contributed equity	-	-	-	-	-	-	-	8,228	8,228
Dividends	-	-	(78,942)	-	-	-	(78,942)	-	(78,942)
Balance at June 30, 2011	\$1,841,765	\$147,708	\$2,756,468	\$(21,683)	\$22,196	\$637	\$4,747,091	\$184,465	\$4,931,556
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	-	-	213,337	(1,290)	(26,215)	(1,696)	184,136	(10,115)	174,021
Stock-based compensation	-	6,322	-	-	-	-	6,322	-	6,322
Share options exercised	2,650	(383)	-	-	-	-	2,267	-	2,267
Transactions with owners - contributed equity	-	-	-	-	-	-	-	3,614	3,614
Dividends	-	-	(55,020)	-	-	-	(55,020)	-	(55,020)
Balance at June 30, 2010	\$1,812,511	\$137,516	\$2,551,257	\$(1,290)	\$63,242	\$529	\$4,563,765	\$157,539	\$4,721,304

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated Statements of Cash Flows
(Unaudited)
(\$Cdn Thousands)

	Note	Three Months Ended		Six Months Ended	
		Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Operating activities					
Net earnings		\$51,223	\$68,073	\$140,683	\$210,354
Adjustments for:					
Depreciation, depletion and amortization		49,758	60,074	98,871	112,252
Deferred charges		(4,460)	(11,063)	(8,186)	(17,902)
Unrealized losses on derivatives		15,490	83,760	9,856	96,192
Share-based compensation	13	3,225	1,325	11,320	6,322
Loss (gain) on sale of assets		719	(51)	695	183
Finance costs	10	19,704	21,307	39,562	43,636
Finance income		(6,463)	(4,428)	(13,116)	(8,171)
Share of loss from equity-accounted investees		2,324	1,865	5,016	2,839
Other income		(352)	(628)	(4,975)	(2,633)
Income tax expense (recovery)	11	(873)	(18,714)	2,934	(2,081)
Interest received		5,714	2,471	9,689	4,620
Income taxes paid		(9,209)	(6,309)	(47,883)	(54,069)
Other operating items	12	(106,534)	72,875	41,831	25,242
Net cash provided by operations		20,266	270,557	286,297	416,784
Investing activities					
Additions to property, plant and equipment		(139,139)	(113,345)	(262,966)	(194,362)
Purchase of short-term investments		142,719	(10,136)	10,746	(768,030)
Decrease (increase) in long-term receivables, investments and other		(341)	(6,179)	27,494	(12,233)
Proceeds from sale of property, plant and equipment		7	40	32	5,465
Net cash provided by (used in) investing		3,246	(129,620)	(224,694)	(969,160)
Financing activities					
Decrease in debt		(7,046)	(6,099)	(10,870)	(9,512)
Interest paid		(2,893)	(3,096)	(27,088)	(27,513)
Contributions from non-controlling interest		2,208	2,210	6,451	4,638
Proceeds from issuance of shares, stock option plan		159	756	6,938	2,267
Dividends paid		(39,470)	(27,507)	(67,075)	(51,078)
Net cash used in financing		(47,042)	(33,736)	(91,644)	(81,198)
Increase (decrease) in cash during the period		(23,530)	107,201	(30,041)	(633,574)
Exchange rate changes on foreign currency cash balances		1,938	69	(449)	(2,615)
Cash and cash equivalents at beginning of period		367,723	357,770	376,621	1,101,229
Cash and cash equivalents at end of period		\$346,131	\$465,040	\$346,131	\$465,040
Cash and cash equivalents is comprised of:					
Cash				\$101,324	\$70,184
Cash equivalents				244,807	394,856
				\$346,131	\$465,040

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 June 30, 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 condensed consolidated interim financial statements are 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”). Accordingly, 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 August 3, 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 of the March 31, 2011 condensed consolidated interim financial statements.

Since the Company's consolidated financial statements for the year ended December 31, 2010 were previously prepared in accordance with GAAP, a summary of significant accounting policies was disclosed in note 2 of the March 31, 2011 condensed consolidated interim financial statements. The summary of 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.

3. Explanation of Transition to IFRS

As stated in note 2(a), these condensed consolidated interim financial statements have been prepared in accordance with IFRS. The accounting policies set out in note 2 of the March 31, 2011 condensed consolidated interim financial statements have been applied for all periods presented in the condensed consolidated interim financial statements for the period ended June 30, 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 June 30, 2010

	Cdn GAAP	Jun 30, 2010 effect of transition	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$465,040	\$ -	\$465,040
Short-term investments	970,808	-	970,808
Accounts receivable (a)	271,853	348	272,201
Inventories (b),(d)	445,002	(10,291)	434,711
Supplies and prepaid expenses (a)	158,860	2,686	161,546
Current portion of long-term receivables, and other	75,378	-	75,378
Total current assets	2,386,941	(7,257)	2,379,684
Property, plant and equipment (a),(c),(d),(e),(k)	4,136,793	(369,183)	3,767,610
Intangible assets	95,989	-	95,989
Long-term receivables, investments, other (a),(f),(g)	683,553	(278,476)	405,077
Investments in equity-accounted investees (f),(h)	-	224,726	224,726
Deferred tax assets (p),(q),(r)	33,521	(10,596)	22,925
Total non-current assets	4,949,856	(433,529)	4,516,327
Total assets	\$7,336,797	\$(440,786)	\$6,896,011
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities (a),(i)	\$324,157	\$701	\$324,858
Current tax liabilities	17,321	-	17,321
Short-term debt	84,741	-	84,741
Dividends payable	27,512	-	27,512
Current portion of finance lease obligation	12,387	-	12,387
Current portion of other liabilities	60,777	-	60,777
Current portion of provisions (a),(b),(j),(k),(l)	-	17,851	17,851
Deferred tax liabilities (p),(q),(r)	52,786	(52,786)	-
Total current liabilities	579,681	(34,234)	545,447
Long-term debt	794,159	-	794,159
Finance lease obligation	152,533	-	152,533
Provision for reclamation (j)	263,721	(263,721)	-
Other liabilities (a),(g),(j)	254,762	35,151	289,913
Provisions (a),(b),(j),(k),(l)	-	341,194	341,194
Deferred tax liabilities (p),(q),(r)	155,902	(104,441)	51,461
Total non-current liabilities	1,621,077	8,183	1,629,260
Minority interest (o)	157,539	(157,539)	-
Shareholders' equity			
Share capital (m)	1,515,111	297,400	1,812,511
Contributed surplus	137,516	-	137,516
Retained earnings (s)	3,314,083	(762,826)	2,551,257
Other components of equity (b),(d),(g),(h),(k),(n),(p),(r)	11,790	50,691	62,481
Total shareholders' equity attributable to equity holders	4,978,500	(414,735)	4,563,765
Non-controlling interest (o)	-	157,539	157,539
Total shareholders' equity	4,978,500	(257,196)	4,721,304
Total liabilities and shareholders' equity	\$7,336,797	\$(440,786)	\$6,896,011

Reconciliation of Total Comprehensive Income for 2010

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	Cdn GAAP	effect of transition	IFRS	Cdn GAAP	effect of transition	IFRS
Revenue from products and services	\$546,055	\$ -	\$546,055	\$1,030,771	\$ -	\$1,030,771
Products and services sold (a),(l)	315,210	(9,087)	306,123	566,743	(11,680)	555,063
Depreciation, depletion and amortization (a),(b),(c),(d),(e),(k)	64,245	(4,171)	60,074	117,531	(5,279)	112,252
Cost of sales	379,455	(13,258)	366,197	684,274	(16,959)	667,315
Gross profit	166,600	13,258	179,858	346,497	16,959	363,456
Administration (g),(i)	29,597	(660)	28,937	61,053	(1,164)	59,889
Exploration	17,743	-	17,743	32,910	-	32,910
Research and development	933	-	933	1,621	-	1,621
Cigar Lake remediation	5,126	-	5,126	7,839	-	7,839
Gain (loss) on sale of assets	(51)	-	(51)	183	-	183
Earnings from operations	113,252	13,918	127,170	242,891	18,123	261,014
Finance costs (b),(c),(l)	(6,036)	(15,271)	(21,307)	(13,580)	(30,056)	(43,636)
Losses on derivatives	(59,675)	(20)	(59,695)	(17,050)	(20)	(17,070)
Finance income	4,428	-	4,428	8,171	-	8,171
Share of loss from equity-accounted investees (h)	(4,675)	2,810	(1,865)	(8,537)	5,698	(2,839)
Other income	628	-	628	2,633	-	2,633
Earnings before income taxes	47,922	1,437	49,359	214,528	(6,255)	208,273
Income tax expense (recovery) (p),(q),(r)	(18,186)	(528)	(18,714)	6,914	(8,995)	(2,081)
Net earnings	\$66,108	\$1,965	\$68,073	\$207,614	\$2,740	\$210,354
Net earnings (loss) attributable to:						
Equity holders	\$68,206	\$1,965	\$70,171	\$210,597	\$2,740	\$213,337
Non-controlling interest	(2,098)	-	(2,098)	(2,983)	-	(2,983)
Net earnings	\$66,108	\$1,965	\$68,073	\$207,614	\$2,740	\$210,354
Basic earnings per common share	\$0.17	\$ -	\$0.18	\$0.54	\$ -	\$0.54
Diluted earnings per common share	\$0.17	\$ -	\$0.18	\$0.53	\$ -	\$0.54
Net earnings	\$66,108	\$1,965	\$68,073	\$207,614	\$2,740	\$210,354
Other comprehensive income (loss), net of taxes						
Exchange differences on translation						
of foreign currency operations	20,096	649	20,745	(8,715)	293	(8,422)
Gains (losses) on derivatives designated as cash						
flow hedges	(5,464)	-	(5,464)	10,303	-	10,303
Gains on derivatives designated as cash						
flow hedges transferred to net earnings	(21,056)	-	(21,056)	(36,518)	-	(36,518)
Unrealized gains on available-for-sale						
securities	50	-	50	933	-	933
Gains on available-for-sale securities						
transferred to net earnings	(2)	-	(2)	(2,629)	-	(2,629)
Other comprehensive income (loss), net of taxes	(6,376)	649	(5,727)	(36,626)	293	(36,333)
Total comprehensive income (loss), net of taxes	\$59,732	\$2,614	\$62,346	\$170,988	\$3,033	\$174,021
Total comprehensive income (loss) attributable to:						
Equity holders	\$67,532	\$2,614	\$70,146	\$181,103	\$3,033	\$184,136
Non-controlling interest	(7,800)	-	(7,800)	(10,115)	-	(10,115)
Total comprehensive income	\$59,732	\$2,614	\$62,346	\$170,988	\$3,033	\$174,021

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 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.
- (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.

The effects of the IFRS transition adjustments were as follows:

Consolidated Statements of Financial Position	Jun 30/10
Accounts receivable (iii)	\$348
Supplies and prepaid expenses (iii)	2,686
Long-term receivables, investments and other (i)	(75,682)
Property, plant and equipment (ii)	11,155
Accounts payable and accrued liabilities (iii)	(444)
Provisions (iii)	(2,844)
Other liabilities (i),(iii)	(62,410)
Retained earnings (i),(ii),(iii)	127,191

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Products and services sold (i),(ii),(iii)	\$(9,087)	\$(11,680)
Depreciation, depletion and amortization (ii)	1,934	3,862
Finance costs	(480)	(480)
Gains on derivatives	20	20

- 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	Jun 30/10
Inventories	\$(10,615)
Provisions	2,171
Retained earnings	8,404
Other components of equity (foreign currency translation)	40

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Depreciation, depletion and amortization	\$(4,828)	\$(6,359)
Finance costs	3,174	6,376

- 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	Jun 30/10
Property, plant and equipment	\$(355,606)
Retained earnings	355,606

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Depreciation, depletion and amortization	\$(897)	\$(1,712)
Finance costs	12,251	23,508

- 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	Jun 30/10
Property, plant and equipment	\$34,484
Inventory	324
Retained earnings	(34,316)
Other components of equity (foreign currency translation)	(492)

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Depreciation, depletion and amortization	\$270	\$284

- 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	Jun 30/10
Property, plant and equipment	\$(7,314)
Retained earnings	7,314

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Depreciation, depletion and amortization	\$(77)	\$(212)

- 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	Jun 30/10
Investments in equity-accounted investees	\$199,958
Long-term receivables, investments and other	(199,958)

- 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	Jun 30/10
Long-term receivables, investments and other	\$(2,836)
Other liabilities	(10,992)
Retained earnings	13,814
Other components of equity (foreign currency translation)	14

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Administration	\$(295)	\$(590)

- 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	Jun 30/10
Investments in equity-accounted investees	\$24,768
Retained earnings	(24,389)
Other components of equity (foreign currency translation)	(379)

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Share of loss from equity-accounted investees	\$(2,810)	\$(5,698)

- 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	Jun 30/10
Accounts payable and accrued liabilities	\$(257)
Retained earnings	257

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Administration	\$(365)	\$(574)

- 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	Jun 30/10
Provision for reclamation	\$263,721
Provisions	(301,972)
Other liabilities	38,251

- 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.

The effect of the IFRS transition adjustments was as follows:

Consolidated Statements of Financial Position	Jun 30/10
Property, plant and equipment	\$(51,902)
Provisions	(57,521)
Retained earnings	109,108
Other components of equity (foreign currency translation)	315

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Depreciation, depletion and amortization	\$(571)	\$(1,142)

- 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	Jun 30/10
Provisions	\$1,121
Retained earnings	(1,121)

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Finance costs	\$326	\$652

- 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	Jun 30/10
Retained earnings	\$297,400
Share capital	(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 June 30, 2010.

In addition to the above, cash flow hedging reserves of \$63,242,000 as at June 30, 2010 and available-for-sale assets reserves of \$529,000 at June 30, 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	Jun 30/10
BPLP transition adjustments (a)	\$31,792
Decommissioning liabilities - discounting (k)	30,933
Decommissioning liabilities - accretion (b)	2,656
Provision for waste (l)	(296)
Borrowing costs (c)	93,916
Impairment reversal (d)	(12,287)
Capitalized overhead (e)	1,932
IPR&D (h)	(8,669)
Share-based compensation (i)	54
Employee benefits (g)	3,739
	\$143,770

In addition, other components of equity of \$(161,000) as at June 30, 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	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
BPLP transition adjustments (a)	\$1,905	\$2,070
Decommissioning liabilities - discounting (k)	131	254
Decommissioning liabilities - accretion (b)	360	(101)
Provision for waste (l)	(86)	(172)
Borrowing costs (c)	(3,000)	(5,757)
Capitalized overhead (e)	20	56
IPR&D (h)	984	1,994
Share-based compensation (i)	48	83
Employee benefits (g)	80	160
Income tax recovery	\$442	\$(1,413)

- 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	Jun 30/10
Deferred tax liabilities	\$6,753
Retained earnings	(6,753)

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Income tax recovery	\$(680)	\$(7,293)

- 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	Jun 30/10
Deferred tax liabilities	\$(3,892)
Retained earnings	3,844
Other components of equity (foreign currency translation)	48

Consolidated Statements of Earnings	Three Months Ended Jun 30/10	Six Months Ended Jun 30/10
Income tax recovery	(\$289)	(\$289)

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

	Jun 30/10
BPLP transition adjustments (a)	\$(127,191)
Decommissioning liabilities - accretion (b)	(8,404)
Borrowing costs (c)	(355,606)
Impairment reversal (d)	34,316
Capitalized overhead (e)	(7,314)
Employee benefits (g)	(13,814)
In-process research and development (h)	24,389
Share-based compensation (i)	(257)
Decommissioning liabilities - discounting (k)	(109,108)
Provision for waste - discounting (l)	1,121
Convertible debentures (m)	(297,400)
Other components of equity (n)	(50,398)
Deferred tax liability (p)	143,931
Deferred tax liabilities - intra-group transfer (q)	6,753
Deferred tax liabilities - foreign non-monetary assets (r)	(3,844)
	\$(762,826)

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 \$3,096,000 for the three months ended June 30, 2010 and \$27,513,000 for the six months ended June 30, 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

The following standards and amendments to existing standards have been published but are not effective for the year ended December 31, 2011, and have not been applied in preparing these condensed consolidated interim financial statements:

(i) Financial Instruments

In October 2010, the International Accounting Standards Board ("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, *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.

(ii) Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). This standard is effective for periods beginning on or after January 1, 2013 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. Cameco is assessing the impact of this new standard on its financial statements.

(iii) Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"). This standard is effective for periods beginning on or after January 1, 2013 and establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 requires a party to assess the rights and obligations arising from an arrangement in determining whether an arrangement is either a joint venture or a joint operation. Joint ventures are to be accounted for using the equity method while joint operations will continue to be accounted for using proportionate consolidation. Cameco is assessing the impact of this new standard on its financial statements.

(iv) Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"). This standard is effective for periods beginning on or after January 1, 2013 and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 integrates and makes consistent the disclosure requirements for a reporting entity's interest in other entities and presents those requirements in a single standard. Cameco is assessing the impact of this new standard on its financial statements.

(v) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"). This standard is effective for periods beginning on or after January 1, 2013 and provides additional guidance where IFRS requires fair value to be used. IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurements. Cameco is assessing the impact of this new standard on its financial statements.

(vi) Employee Benefits

In June 2011, the IASB issued an amended version of IAS 19, *Employee Benefits* (“IAS 19”). This amendment is effective for periods beginning on or after January 1, 2013 and eliminates the ‘corridor method’ of accounting for defined benefit plans. Revised IAS 19 also streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, and enhances the disclosure requirements for defined benefit plans. Cameco is assessing the impact of this revised standard on its financial statements.

(vii) Presentation of Other Comprehensive Income

In June 2011, the IASB issued an amended version of IAS 1, *Presentation of Financial Statements* (“IAS 1”). This amendment is effective for periods beginning on or after January 1, 2012 and requires companies preparing financial statements in accordance with IFRS to group together items within OCI that may be reclassified to the profit or loss section of the statement of earnings. Revised IAS 1 also reaffirms existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Cameco is assessing the impact of this revised standard on its financial statements.

5. Inventories

	Jun 30/11	Dec 31/10
Uranium		
Concentrate	\$486,052	\$385,242
Broken ore	21,567	12,138
	507,619	397,380
Fuel Services	161,196	135,710
Total	\$668,815	\$533,090

6. Long-Term Receivables, Investments and Other

	Jun 30/11	Dec 31/10
BPLP		
Capital lease receivable from BALP ^(a)	\$89,744	\$91,608
Derivatives [note 15]	64,449	77,831
Available-for-sale securities		
Western Uranium Corporation	-	6,033
GoviEx Uranium (privately held)	21,446	23,017
Derivatives [note 15]	43,383	50,011
Advances receivable from Inkai JV LLP [note 19]	97,136	125,072
Other	77,811	60,550
	393,969	434,122
Less current portion	(81,837)	(91,447)
Net	\$312,132	\$342,675

^(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.

7. Other Liabilities

	Jun 30/11	Dec 31/10
Deferred sales	\$14,688	\$17,004
Derivatives [note 15]	6,421	5,273
Accrued post-retirement benefit liability	22,262	21,738
BPLP		
Accrued post-retirement benefit liability	344,192	350,466
Derivatives [note 15]	24,138	29,954
Other	6,814	9,270
	418,515	433,705
Less current portion	(27,165)	(28,228)
Total	\$391,350	\$405,477

8. Share Capital

- (a) At June 30, 2011, there were 394,711,083 common shares outstanding.
- (b) Options in respect of 8,689,088 shares are outstanding under the stock option plan and are exercisable up to 2019. For the quarter ended June 30, 2011, 11,488 options were exercised resulting in the issuance of shares (2010 – 59,360). For the six months ended June 30, 2011, 360,040 options were exercised resulting in the issuance of shares (2010 – 187,192).

9. Employee Benefit Expense

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

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Wages and salaries	\$117,948	\$114,153	\$238,845	\$223,090
Statutory and company benefits	22,252	20,212	46,495	43,417
Equity-settled share-based compensation	4,507	2,891	13,700	8,878
Expenses related to defined benefit plans	5,667	5,769	11,920	9,889
Contributions to defined contribution plans	3,422	3,683	7,669	6,841
Cash-settled share-based compensation	(1,750)	(2,595)	(7,245)	(5,615)
Total	\$152,046	\$144,113	\$311,384	\$286,500

10. Finance Costs

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Interest on long-term debt	\$14,191	\$14,156	\$28,331	\$28,162
Unwinding of discount on provisions	3,447	3,499	6,738	7,027
Other charges	981	2,673	2,141	4,659
Foreign exchange losses	576	524	1,317	2,885
Interest on short-term debt	509	455	1,035	903
Total	\$19,704	\$21,307	\$39,562	\$43,636

11. Income Taxes

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Earnings (loss) before income taxes				
Canada	\$(55,516)	\$(119,399)	\$(75,530)	\$(58,029)
Foreign	105,866	168,758	219,147	266,302
	\$50,350	\$49,359	\$143,617	\$208,273
Current income taxes (recovery)				
Canada	\$6,266	\$2,866	\$(425)	\$26,163
Foreign	5,556	8,305	17,136	13,739
	\$11,822	\$11,171	\$16,711	\$39,902
Deferred income taxes (recovery)				
Canada	\$(20,273)	\$(33,563)	\$(16,756)	\$(46,880)
Foreign	7,578	3,678	2,979	4,897
	\$(12,695)	\$(29,885)	\$(13,777)	\$(41,983)
Income tax expense (recovery)	\$(873)	\$(18,714)	\$2,934	\$(2,081)

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 \$29,000,000. 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 cumulative tax provision recorded, 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 June 30, 2011

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$11,942	\$ -	\$11,942
Gains on derivatives designated as cash flow hedges	2,023	(512)	1,511
Gains on derivatives designated as cash flow hedges transferred to net earnings	(6,977)	1,875	(5,102)
Unrealized gains on assets available-for-sale	253	(36)	217
Gains on assets available-for-sale transferred to net earnings	(6)	1	(5)
	\$7,235	\$1,328	\$8,563

For the three months ended June 30, 2010

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$20,745	\$ -	\$20,745
Losses on derivatives designated as cash flow hedges	(7,651)	2,187	(5,464)
Gains on derivatives designated as cash flow hedges transferred to net earnings	(29,791)	8,735	(21,056)
Unrealized gains on assets available-for-sale	112	(62)	50
Gains on assets available-for-sale transferred to net earnings	(4)	2	(2)
	\$(16,589)	\$10,862	\$(5,727)

For the six months ended June 30, 2011

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(11,439)	\$ -	\$(11,439)
Gains on derivatives designated as cash flow hedges	4,273	(1,151)	3,122
Gains on derivatives designated as cash flow hedges transferred to net earnings	(15,341)	4,109	(11,232)
Unrealized gains on assets available-for-sale	791	(107)	684
Gains on assets available-for-sale transferred to net earnings	(2,120)	280	(1,840)
	\$(23,836)	\$3,131	\$(20,705)

For the six months ended June 30, 2010

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(8,422)	\$ -	\$(8,422)
Gains on derivatives designated as cash flow hedges	12,439	(2,136)	10,303
Gains on derivatives designated as cash flow hedges transferred to net earnings	(51,662)	15,144	(36,518)
Unrealized gains on assets available-for-sale	1,065	(132)	933
Gains on assets available-for-sale transferred to net earnings	(3,041)	412	(2,629)
	\$(49,621)	\$13,288	\$(36,333)

12. Statements of Cash Flows**Other Operating Items**

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Changes in non-cash working capital:				
Accounts receivable	\$(18,998)	\$53,909	\$230,159	\$185,484
Inventories	(57,381)	23,360	(116,579)	14,970
Supplies and prepaid expenses	(9,317)	(12,990)	(4,031)	7,489
Accounts payable and accrued liabilities	(15,038)	18,578	(38,812)	(175,293)
Other	(5,800)	(9,982)	(28,906)	(7,408)
Total	\$(106,534)	\$72,875	\$41,831	\$25,242

13. 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 26,452,479 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 June 30, 2011, the amount recorded was \$2,375,000 (2010 - \$1,325,000). For the six months ended June 30, 2011, the amount recorded was \$9,620,000 (2010 - \$6,322,000).

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

	Six Months Ended	
	Jun 30/11	Jun 30/10
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

14. 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, subsequent inspection data and analysis of the condition of the Unit 8 steam generators 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 were heard July 19 through 21, 2011 and a decision is pending.

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 June 30, 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 \$232,300,000 under this agreement which was recognized as revenue with Cameco's share being \$73,400,000.

15. Derivatives

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

As at June 30, 2011

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(2,374)	\$13,944	\$11,570
Foreign currency contracts	37,094	-	37,094
Interest rate contracts	2,242	-	2,242
Cash flow hedges:			
Energy and sales contracts	-	26,367	26,367
Net	\$36,962	\$40,311	\$77,273
Classification:			
Current portion of long-term receivables, investments and other [note 6]	\$38,665	\$43,171	\$81,836
Long-term receivables, investments and other [note 6]	4,718	21,278	25,996
Current portion of other liabilities [note 7]	(2,744)	(18,150)	(20,894)
Other liabilities [note 7]	(3,677)	(5,988)	(9,665)
Net	\$36,962	\$40,311	\$77,273

As at December 31, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(3,864)	\$18,877	\$15,013
Foreign currency contracts	47,144	-	47,144
Interest rate contracts	1,458	-	1,458
Cash flow hedges:			
Energy and sales contracts	-	29,000	29,000
Net	\$44,738	\$47,877	\$92,615

Classification:

Current portion of long-term receivables, investments and other [note 6]	\$46,629	\$44,505	\$91,134
Long-term receivables, investments and other [note 6]	3,382	33,326	36,708
Current portion of other liabilities [note 7]	(377)	(20,662)	(21,039)
Other liabilities [note 7]	(4,896)	(9,292)	(14,188)
Net	\$44,738	\$47,877	\$92,615

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

For the three months ended June 30, 2011

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(101)	\$464	\$363
Foreign currency contracts	10,223	-	10,223
Interest rate contracts	2,642	-	2,642
Cash flow hedges:			
Energy and sales contracts	-	(1,369)	(1,369)
Net	\$12,764	\$(905)	\$11,859

For the three months ended June 30, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(932)	\$596	\$(336)
Foreign currency contracts	(61,046)	-	(61,046)
Interest rate contracts	2,963	-	2,963
Cash flow hedges:			
Energy and sales contracts	-	(1,276)	(1,276)
Net	\$(59,015)	\$(680)	\$(59,695)

For the six months ended June 30, 2011

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$1,372	\$138	\$1,510
Foreign currency contracts	33,660	-	33,660
Interest rate contracts	1,873	-	1,873
Cash flow hedges:			
Energy and sales contracts	-	(1,455)	(1,455)
Net	\$36,905	\$(1,317)	\$35,588

For the six months ended June 30, 2010

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(3,236)	\$383	\$(2,853)
Foreign currency contracts	(13,941)	-	(13,941)
Interest rate contracts	1,348	-	1,348
Cash flow hedges:			
Energy and sales contracts	-	(1,624)	(1,624)
Net	\$(15,829)	\$(1,241)	\$(17,070)

Over the next 12 months, based on current exchange rates, Cameco expects an estimated \$758,000 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 \$18,890,000 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.

16. 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 394,607,145 (2010 – 392,930,674).

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Basic earnings per share computation				
Net earnings attributable to equity holders	\$53,742	\$70,171	\$145,226	\$213,337
Weighted average common shares outstanding	394,706	392,985	394,607	392,931
Basic earnings per common share	\$0.14	\$0.18	\$0.37	\$0.54
Diluted earnings per share computation				
Net earnings attributable to equity holders	\$53,742	\$70,171	\$145,226	\$213,337
Weighted average common shares outstanding	394,706	392,985	394,607	392,931
Dilutive effect of stock options	667	1,458	1,335	1,690
Weighted average common shares outstanding, assuming dilution	395,373	394,443	395,942	394,621
Diluted earnings per common share	\$0.14	\$0.18	\$0.37	\$0.54

17. 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 June 30, 2011

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$256,261	\$69,606	\$99,224	\$614	\$425,705
Expenses					
Products and services sold	148,139	51,094	68,752	74	268,059
Depreciation, depletion and amortization	22,449	5,947	16,845	4,517	49,758
Cost of sales	170,588	57,041	85,597	4,591	317,817
Gross profit (loss)	85,673	12,565	13,627	(3,977)	107,888
Exploration	17,133	-	-	-	17,133
Cigar Lake remediation	1,395	-	-	-	1,395
Loss on sale of assets	719	-	-	-	719
Share of loss from equity-accounted investees	1,951	373	-	-	2,324
Other income	(352)	-	-	-	(352)
Non-segmented expenses					36,319
Earnings (loss) before income taxes	64,827	12,192	13,627	(3,977)	50,350
Income tax recovery					(873)
Net earnings					\$51,223

For the three months ended June 30, 2010

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$359,113	\$72,949	\$113,349	\$644	\$546,055
Expenses					
Products and services sold	196,905	50,468	58,640	110	306,123
Depreciation, depletion and amortization	35,143	4,383	15,644	4,904	60,074
Cost of sales	232,048	54,851	74,284	5,014	366,197
Gross profit (loss)	127,065	18,098	39,065	(4,370)	179,858
Exploration	17,743	-	-	-	17,743
Cigar Lake remediation	5,126	-	-	-	5,126
Gain on sale of assets	(51)	-	-	-	(51)
Share of loss from equity-accounted investees	1,117	748	-	-	1,865
Other income	(628)	-	-	-	(628)
Non-segmented expenses					106,444
Earnings (loss) before income taxes	103,758	17,350	39,065	(4,370)	49,359
Income tax recovery					(18,714)
Net earnings					\$68,073

For the six months ended June 30, 2011

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$553,568	\$118,915	\$206,632	\$850	\$879,965
Expenses					
Products and services sold	322,792	89,089	124,828	74	536,783
Depreciation, depletion and amortization	44,798	10,439	34,558	9,076	98,871
Cost of sales	367,590	99,528	159,386	9,150	635,654
Gross profit (loss)	185,978	19,387	47,246	(8,300)	244,311
Exploration	34,958	-	-	-	34,958
Cigar Lake remediation	4,447	-	-	-	4,447
Loss on sale of assets	695	-	-	-	695
Share of loss from equity-accounted investees	3,866	1,150	-	-	5,016
Other income	(4,975)	-	-	-	(4,975)
Non-segmented expenses					60,553
Earnings (loss) before income taxes	146,987	18,237	47,246	(8,300)	143,617
Income tax expense					2,934
Net earnings					\$140,683

For the six months ended June 30, 2010

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$660,906	\$130,936	\$237,822	\$1,107	\$1,030,771
Expenses					
Products and services sold	362,574	83,397	108,955	137	555,063
Depreciation, depletion and amortization	63,925	6,734	31,671	9,922	112,252
Cost of sales	426,499	90,131	140,626	10,059	667,315
Gross profit (loss)	234,407	40,805	97,196	(8,952)	363,456
Exploration	32,910	-	-	-	32,910
Cigar Lake remediation	7,839	-	-	-	7,839
Loss on sale of assets	183	-	-	-	183
Share of loss from equity-accounted investees	1,372	1,467	-	-	2,839
Other income	(2,633)	-	-	-	(2,633)
Non-segmented expenses					114,045
Earnings (loss) before income taxes	194,736	39,338	97,196	(8,952)	208,273
Income tax recovery					(2,081)
Net earnings					\$210,354

18. 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.

19. 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:

	Three Months Ended		Six Months Ended	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Short-term employee benefits	\$6,894	\$6,658	\$11,920	\$11,589
Post-employment benefits	1,718	2,252	2,395	2,804
Share-based compensation	1,788	1,448	5,474	4,327
	\$10,400	\$10,358	\$19,789	\$18,720

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. \$32,900,000 (2010 - \$9,700,000) 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 \$6,840,000 (2010 - \$2,060,000).

Other Related Party Transactions

	Transaction Value		Transaction Value		Balance Outstanding	
	Three Months Ended		Six Months Ended		As at	
	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10	Jun 30/11	Jun 30/10
Sale of goods and services						
Jointly Controlled Entities						
Bruce Power L.P.	\$4,290	\$10,517	\$14,274	\$16,861	\$7,806	\$23,332
Other						
Jointly Controlled Entities						
interest income (Inkai)	567	838	1,203	1,663	97,136	151,512
Associates						
interest expense	(509)	(455)	(1,035)	(903)	76,790	82,207

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 June 30, 2011, \$251,830,000 (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 June 30, 2011, \$79,633,000 (US) of principal and interest was outstanding (December 31, 2010 - \$78,579,000 (US)).

20. Comparative Figures

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