



## **Management's discussion and analysis**

for the quarter ended March 31, 2012

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

## Management's discussion and analysis

This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our unaudited condensed consolidated interim financial statements and notes for the quarter ended March 31, 2012 (interim financial statements). The information is based on what we knew as of April 30, 2012 and updates the annual MD&A included in our 2011 annual financial review.

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, 2011 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](http://cameco.com), on SEDAR at [sedar.com](http://sedar.com) or on EDGAR at [sec.gov](http://sec.gov). You should also read our annual information form before making an investment decision about our securities.

The financial information in this MD&A and in our financial statements and notes are prepared according to International Financial Reporting Standards (IFRS), unless otherwise indicated.

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 on page 2).
- 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 2. 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 strategy for increasing annual production to 40 million pounds by 2018
- our forecasts relating to termination of uranium sales contracts with our customers
- our expectations about 2012 and future global uranium supply, consumption, demand and number of operable reactors, including the discussion on the expected impact resulting from the March 2011 nuclear incident in Japan
- our expectations for uranium prices in 2012
- the outlook for each of our operating segments for 2012, and our consolidated outlook for the year
- our expectation that we will invest significantly in expanding production at our existing mines and advancing projects as we pursue our growth strategy
- our expectation that existing cash balances and operating cash flows will meet anticipated capital requirements without the need for any significant additional financing
- our expectation that cash balances will decline as we use the funds in our business and pursue our growth plans
- our expectations regarding 2012 quarterly delivery patterns for our uranium and fuel service products
- our expectation that our operating and investment activities in 2012 will not be constrained by the financial covenants in our unsecured revolving credit facility
- our uranium price sensitivity analysis
- forecast production at our uranium operations from 2012 to 2016
- our future plans for each of our uranium operating properties, development projects and projects under evaluation, and fuel services operating sites
- our expectations regarding 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
- our forecasts relating to termination of uranium sales contracts with our customers 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 not reliable, 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, civil unrest, 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
- our Cigar Lake development, mining or production plans are delayed or do not succeed, including as a result of any difficulties encountered with the jet boring mining method or our inability to acquire any of the required jet boring equipment
- 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, equipment failure, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave ins, ground movements, tailings dam failures, transportation disruptions or accidents, or 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 level and production costs
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed on page 18, *Price sensitivity analysis: uranium*
- our expectations regarding uranium sales contract terminations, tax rates, foreign currency exchange rates and interest rates
- our decommissioning and reclamation expenses
- our mineral reserve and resource estimates, and the assumptions upon which they are based, are reliable
- the geological, hydrological and other conditions at our mines
- our Cigar Lake development, mining and production plans succeed, including the success of the jet boring mining method at Cigar Lake and that we will be able to obtain the additional jet boring system units we require on schedule
- 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, civil unrest, 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, ground movements, tailings dam failure, lack of tailings capacity, transportation disruptions or accidents or other development or operating risks

## Our strategy

Our corporate growth strategy to double annual uranium production to 40 million pounds by 2018 is as relevant today as it was in 2008 when we set our course. We remain confident in the long-term fundamentals of the nuclear industry. World demand for safe, clean, reliable and affordable energy continues to grow and the need for nuclear energy as part of the world's energy mix remains compelling.

We are preparing our assets to ensure we can be among the first to respond when the market signals new production is needed and to maintain our position as one of the world's largest uranium producers. In addition, our strategy is to invest in opportunities across the nuclear fuel cycle that we expect will complement and enhance our business.

Our extraordinary assets, extensive portfolio of long-term sales contracts, employee expertise and comprehensive industry knowledge provide us with the confidence and financial stability to pursue our corporate growth strategy.

You can read more about our strategy in our 2011 annual MD&A.

## First quarter update

### Our performance

Highlights (\$ millions except where indicated)	Three months ended March 31				
	2012	2011	change		
Revenue	563	461	22%		
Gross profit	178	136	31%		
Net earnings	132	91	45%		
\$ per common share (diluted)	0.33	0.23	43%		
Adjusted net earnings (non-IFRS, see pages 9 and 10)	124	85	46%		
\$ per common share (adjusted and diluted)	0.31	0.21	48%		
Cash provided by operations (after working capital changes)	409	266	54%		
Average realized prices	Uranium	\$US/lb	48.77	48.06	1%
		\$Cdn/lb	49.40	48.60	2%
	Fuel services	\$Cdn/kgU	19.98	20.60	(3)%
	Electricity	\$Cdn/MWh	55.00	53.00	4%

### First quarter

Net earnings attributable to our shareholders (net earnings) this quarter were \$132 million (\$0.33 per share diluted) compared to \$91 million (\$0.23 per share diluted) in the first quarter of 2011. On an adjusted basis, our earnings this quarter were \$124 million (\$0.31 per share diluted) compared to \$85 million (\$0.21 per share diluted) (non-IFRS measure, see pages 9 and 10) in the first quarter of 2011. Higher earnings in 2012 were mainly due to:

- higher earnings from our uranium business based on higher sales volumes and realized prices
- lower income taxes
- partially offset by higher expenditures for exploration and administration

See *Financial results by segment* on page 16 for more detailed discussion.

## Operations update

Highlights		Three months ended March 31		change
		2012	2011	
Uranium	Production volume (million lbs)	4.8	4.7	2%
	Sales volume (million lbs)	8.1	6.1	33%
	Revenue (\$ millions)	401	297	35%
	Gross profit (\$ millions)	141	100	41%
Fuel services	Production volume (million kgU)	4.5	4.3	5%
	Sales volume (million kgU)	2.8	2.4	17%
	Revenue (\$ millions)	56	49	14%
	Gross profit (\$ millions)	11	7	57%
Electricity	Output (100%) (TWh)	6.0	6.4	(6)%
	Revenue (100%) (\$ millions)	334	340	(2)%
	Our share of earnings before taxes (\$ millions)	28	30	(7)%

Production in our uranium segment this quarter was up 2% compared to the first quarter of 2011 mainly due to higher production from McArthur River/Key Lake, partially offset by lower production at Inkai and Smith Ranch-Highland. See *Uranium 2012 Q1 updates* starting on page 25 for more information.

Key highlights:

- in the US, we have started to receive regulatory approvals for expansion at various satellite operations
- signed an agreement to purchase AREVA's interest in the Millennium project. See page 26 for more information.

Production in our fuel services segment was 5% higher this quarter than it was in the first quarter of 2011 due to operational issues at our UF<sub>6</sub> conversion facility that resulted in a two week shutdown in 2011. We continue to expect production to be between 13 million and 14 million kgU this year.

In our electricity segment, BPLP's generation was 6% lower for the quarter compared to the same period last year. The capacity factor this quarter was 85%.

Also of note:

As part of our ongoing work with our customers following the March 2011 events, we expect to terminate a sales contract with one of our customers during the second quarter at a cost of about \$30 million (US), which would be recorded in our financial statements for the period ended June 30, 2012. We expect to be able to place the full quantity at higher prices and do not anticipate a significant impact on our financial results for 2012. The contract includes base-escalated pricing terms at rates well below current market prices, and provides for deliveries of 3.4 million pounds covering the years 2012 through 2016, of which 0.8 million pounds is scheduled for 2012. We do not anticipate terminating any other sales arrangements, unless it is expected to be financially beneficial to us.

## Uranium market update

Uncertainty remains in the market in the near to medium term as a result of the events in Japan that occurred one year ago in March. Nevertheless, we continue to see a strong and promising growth profile for the nuclear industry in the long term.

Today, Japan continues work to rebuild its economy and the areas affected by the natural disasters. The world is watching while Japan decides what level of nuclear power it will depend on in the future. Currently, only one of

Japan's nuclear reactors is operating, with this unit scheduled to be shut down for maintenance in May. Efforts remain underway to address safety concerns and gain the necessary political support to begin re-starting reactors.

Much of the uranium market continues to be in a wait and see mode with limited long-term contracting occurring. Concerns about possible excess German and Japanese inventories and US Department of Energy materials being introduced into the market continue to cause uncertainty. We believe that utilities will continue to work with producers to manage these materials and minimize the impact on the market. Since utilities are well covered under existing contracts, we expect the market demand to remain somewhat discretionary and prices relatively stable until more certainty around these inventories is gained.

Despite this near- to medium-term uncertainty, we continue to see a very strong and promising growth profile for the nuclear industry in the long term. Countries around the world, with very few exceptions, have reconfirmed their commitment to nuclear energy. China, India, 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.

At the beginning of 2012, we expected 96 net new reactors to be built over the next decade, 63 of which were under construction. This translates into an expected average annual growth rate of about 3% for global uranium consumption. Of those under construction, two South Korean reactors were brought online in the first quarter of the year.

In an industry reliant on finite secondary supplies to fulfil about 15% of 2012 consumption requirements, and where a major source of this supply – the Russian Highly Enriched Uranium (HEU) commercial agreement – ends after 2013, it is clear that new production will be needed. The end of the Russian HEU commercial agreement represents the equivalent of removing a mine producing 24 million pounds of uranium per year from the market at a time when a number of new projects have been put on hold – projects previously expected to help fill the HEU gap.

We are well positioned to meet the growing demand for uranium, given our extensive base of mineral reserves and resources located near existing infrastructure, diversified sources of supply, global exploration program and portfolio of long-term sales contracts. We are preparing our assets and will continue to look for opportunities to make sure we are among the first to respond to changing market conditions with a continued focus on profitability.

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#### **Caution about forward-looking information relating to the March 2011 Japanese nuclear incident**

This discussion of the expected impact of the March 2011 nuclear incident 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 1.

## Industry prices

	Mar 31 2012	Dec 31 2011	Mar 31 2011	Dec 31 2010
<b>Uranium</b> (\$US/lb U <sub>3</sub> O <sub>8</sub> ) <sup>1</sup>				
Average spot market price	51.05	51.88	60.50	62.25
Average long-term price	60.00	62.00	70.00	66.00
<b>Fuel services</b> (\$US/kgU UF <sub>6</sub> ) <sup>1</sup>				
<b>Average spot market price</b>				
• North America	6.63	8.00	12.00	12.50
• Europe	7.00	8.25	12.00	12.50
<b>Average long-term price</b>				
• North America	16.75	16.75	15.75	15.00
• Europe	17.25	17.25	16.00	15.25
Note: the industry does not publish UO <sub>2</sub> prices.				
<b>Electricity</b> (\$/MWh)				
Average Ontario electricity spot price	20.00	32.00	32.00	36.00

<sup>1</sup> Average of prices reported by TradeTech and Ux Consulting (Ux)

On the spot market, where purchases call for delivery within one year, the volume reported for the first quarter of 2012 was about 9 million pounds. This compares to about 19 million pounds in the first quarter of 2011.

Continued uncertainty in the market resulted in relatively stable spot prices over the quarter. At the end of the quarter, the average spot price was \$51.05 (US) per pound. On April 30, 2012, Ux reported a spot price of \$51.75 (US) per pound. In general, utilities are well covered under existing contracts, so we expect uranium demand in the near term to remain somewhat discretionary.

The long-term uranium price declined 3% 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).

Spot market UF<sub>6</sub> conversion prices declined, while long-term UF<sub>6</sub> conversion price indicators held firm 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 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 April 30, 2012, we had:

- 395,255,623 common shares and one Class B share outstanding
- 7,908,407 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.

### 2012 Q1 results

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## Consolidated financial results

Highlights (\$ millions except per share amounts)	Three months ended March 31		
	2012	2011	change
Revenue	563	461	22%
Gross profit	178	136	31%
Net earnings	132	91	45%
\$ per common share (basic)	0.33	0.23	43%
\$ per common share (diluted)	0.33	0.23	43%
Adjusted net earnings (non-IFRS, see pages 9 and 10)	124	85	46%
\$ per common share (adjusted and diluted)	0.31	0.21	48%
Cash provided by operations (after working capital changes)	409	266	54%

### Net earnings

Net earnings this quarter were \$132 million (\$0.33 per share diluted) compared to \$91 million (\$0.23 per share diluted) in the first quarter of 2011. Higher earnings in 2012 were mainly due to:

- higher earnings from our uranium business based on higher sales volumes and realized prices
- lower income taxes
- partially offset by higher expenditures for exploration and administration

### Adjusted net earnings (non-IFRS measure)

Adjusted net earnings is a measure that does not have a standardized meaning or a consistent basis of calculation under IFRS (non-IFRS measure). We use this measure as a more meaningful way to compare our financial performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. Adjusted net earnings is our net earnings attributable to equity holders, adjusted 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 in the applicable reporting period.

Adjusted net earnings is non-standard supplemental information and should not be considered in isolation or as a substitute for financial information prepared according to accounting standards. Other companies may calculate this measure differently so you may not be able to make a direct comparison to similar measures presented by other companies.

The table below reconciles adjusted net earnings with our net earnings.

(\$ millions)	Three months ended March 31	
	2012	2011
<b>Net earnings</b>	<b>132</b>	91
<b>Adjustments</b>		
Adjustments on derivatives <sup>1</sup> (pre-tax)	(11)	(9)
Income taxes on adjustments to derivatives	3	3
<b>Adjusted net earnings</b>	<b>124</b>	85

<sup>1</sup> 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 to reflect what our earnings would have been had hedge accounting been applied.

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

<b>Change in adjusted net earnings (\$ millions)</b>		<b>Three months ended March 31</b>
<b>Adjusted net earnings – 2011</b>		<b>85</b>
<b>Change in gross profit by segment</b> (we calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation and amortization (D&A), net of hedging benefits)		
Uranium	Higher sales volumes	33
	Higher realized prices (\$US)	6
	Foreign exchange impact on realized prices	1
	Lower costs	2
	Hedging benefits	(4)
change – uranium		38
Fuel services	Higher sales volumes	1
	Lower realized prices (\$Cdn)	(2)
	Lower costs	5
	Hedging benefits	-
change – fuel services		4
Electricity	Lower sales volumes	(2)
	Higher realized prices (\$Cdn)	4
	Higher costs	(7)
change – electricity		(5)
<b>Other changes</b>		
	Higher exploration expenditures	(7)
	Higher administration expenditures	(5)
	Lower income taxes	12
	Other	2
<b>Adjusted net earnings - 2012</b>		<b>124</b>

See *Financial results by segment* on page 16 for more detailed discussion.

#### Average realized prices

		<b>Three months ended March 31</b>		
		<b>2012</b>	<b>2011</b>	<b>change</b>
Uranium	\$US/lb	<b>48.77</b>	48.06	1%
	\$Cdn/lb	<b>49.40</b>	48.60	2%
Fuel services	\$Cdn/kgU	<b>19.98</b>	20.60	(3)%
Electricity	\$Cdn/MWh	<b>55.00</b>	53.00	4%

## Quarterly trends

Highlights (\$ millions except per share amounts)	2012				2011				2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Revenue	563	970	527	426	461	673	419	546	
Net earnings	132	265	39	55	91	206	97	70	
\$ per common share (basic)	0.33	0.67	0.10	0.14	0.23	0.52	0.25	0.18	
\$ per common share (diluted)	0.33	0.67	0.10	0.14	0.23	0.52	0.25	0.18	
Adjusted net earnings (non-IFRS, see pages 9 & 10)	124	249	104	71	85	190	79	116	
\$ per common share (adjusted and diluted)	0.31	0.63	0.26	0.19	0.21	0.48	0.21	0.29	
Cash provided by operations (after working capital changes)	409	255	190	20	267	109	(5)	271	

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

(\$ millions)	2012				2011				2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Net earnings	132	265	39	55	91	206	97	70	
Adjustments									
Adjustments on derivatives <sup>1</sup> (pre-tax)	(11)	(22)	88	22	(9)	(22)	(25)	63	
Income taxes on adjustments to derivatives	3	6	(23)	(6)	3	6	7	(17)	
Adjusted net earnings (non-IFRS, see pages 9 & 10)	124	249	104	71	85	190	79	116	

<sup>1</sup> 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 to reflect what our earnings would have been had hedge accounting been applied.

### Key things to note:

- Our financial results are strongly influenced by the performance of our uranium segment, which accounted for 71% of consolidated revenues in the first quarter of 2012.
- The timing of customer requirements, which tend to vary from quarter to quarter, drives revenue in the uranium and fuel services segments.
- Net earnings do not trend directly with revenue due to unusual items and transactions that occur from time to time. We use adjusted net earnings, a non-IFRS measure, as a more meaningful way to compare our results from period to period.
- Cash from operations tends to fluctuate as a result of the timing of deliveries and product purchases in our uranium and fuel services segments.
- Quarterly results are not necessarily a good indication of annual results due to the variability in customer requirements noted above.

## Administration

(\$ millions)	Three months ended March 31		change
	2012	2011	
Direct administration	35	31	13%
Stock-based compensation	4	3	33%
Total administration	39	34	15%

Direct administration costs were \$35 million this quarter, or \$4 million higher than the same period last year. These increases reflect mainly the following:

- increased hiring
- studies and analyses of various opportunities
- enhancements to information systems

## Exploration

Uranium exploration expenses were \$25 million this quarter compared to \$18 million in the same quarter in 2011, as exploration activity in Saskatchewan increased. We expect exploration expenses to be about 15% to 20% higher than they were in 2011 due to an increase in evaluation activities at Kintyre and Inkai block 3. We are also continuing to focus efforts in Canada and the United States.

## Income taxes

In the first quarter of 2012, we recorded an income tax recovery of \$8 million compared to an expense of \$4 million in the first quarter of 2011. The decline this quarter was mainly due to a change in the distribution of earnings. In 2012, we recorded losses of \$79 million in Canada compared to \$20 million in 2011, whereas earnings in foreign jurisdictions rose to \$202 million from \$113 million. The tax rate in Canada is higher than the average of the rates in the foreign jurisdictions in which we operate.

On an adjusted basis, we recorded an income tax recovery of \$10 million this quarter compared to an expense of \$1 million in the first quarter of 2011. Our effective tax rate this quarter on an adjusted net earnings basis reflects a recovery of 9% compared to an expense of 2% for the first quarter of 2011.

(\$ millions)	Three months ended March 31		change
	2012	2011	
<b>Pre-tax Adjusted Earnings<sup>1</sup></b>			
Canada <sup>2</sup>	(91)	(29)	(214)%
Foreign	202	113	79%
Total pre-tax adjusted earnings	111	84	32%
<b>Adjusted Income Taxes<sup>1</sup></b>			
Canada <sup>2</sup>	(19)	(6)	(214)%
Foreign	9	7	(29)%
<b>Adjusted income tax expense (recovery)</b>	<b>(10)</b>	1	(1100)%
<b>Effective tax rate</b>	<b>(9)%</b>	2%	(550)%

<sup>1</sup> Pre-tax adjusted earnings and adjusted income taxes are non-IFRS measures.

<sup>2</sup> Our IFRS-based measures have been adjusted by the amounts reflected in the table in adjusted net earnings (non-IFRS measure on pages 9 & 10).

## Foreign exchange

At March 31, 2012:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$1.00 (Cdn), down from \$1.00 (US) for \$1.02 (Cdn) at December 31, 2011. The exchange rate averaged \$1.00 (US) for \$1.00 (Cdn) over the quarter.
- We had foreign currency contracts of \$1.1 billion (US) and EUR 29 million at March 31, 2012. The US currency contracts had an average exchange rate of \$1.00 (US) for \$1.01 (Cdn).
- The mark-to-market gain on all foreign exchange contracts was \$2 million compared to an \$18 million loss at December 31, 2011. We received cash of \$4 million this quarter related to the settlement of foreign exchange contracts.

## Outlook for 2012

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 capital requirements without the need for significant additional funding. Cash balances will decline as we use the funds in our business and pursue our growth plans.

Our outlook for 2012 reflects the growth expenditures necessary to help us achieve our strategy. We do not provide an outlook for the items in the table that are marked with a dash.

See *Financial results by segment* on page 16 for details.

### 2012 Financial outlook

	Consolidated	Uranium	Fuel services	Electricity
Production	-	21.7 million lbs	13 to 14 million kgU	-
Sales volume	-	31 to 33 million lbs	Decrease 10% to 15%	-
Capacity factor	-	-	-	95%
Revenue compared to 2011	Decrease 0% to 5%	Decrease 0% to 5% <sup>1</sup>	Decrease 10% to 15%	Increase 5% to 10%
Average unit cost of sales (including D&A)	-	Increase 0% to 5% <sup>2</sup>	Increase 10% to 15%	Decrease 5% to 10%
Direct administration costs compared to 2011 <sup>3</sup>	Increase 10% to 15%	-	-	-
Exploration costs compared to 2011	-	Increase 15% to 20%	-	-
Tax rate	Recovery of 0% to 5%	-	-	-
Capital expenditures	\$620 million <sup>4</sup>	-	-	<b>\$70 million</b>

<sup>1</sup> Based on a uranium spot price of \$51.75 (US) per pound (the Ux spot price as of April 30, 2012), a long-term price indicator of \$60.00 (US) per pound (the Ux long-term indicator on April 30, 2012) and an exchange rate of \$1.00 (US) for \$1.00 (Cdn).

<sup>2</sup> This increase is based on the unit cost of sale for produced material and committed long-term purchases. If we decide to make discretionary purchases in 2012 then we expect the average unit cost of sales to increase further.

<sup>3</sup> Direct administration costs do not include stock-based compensation expenses. See page 12 for more information.

<sup>4</sup> Does 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. Based on current projections,

we expect deliveries to be lowest in the second quarter while deliveries in the fourth quarter are expected to account for about one-third of our 2012 sales volumes. However, not all delivery notices have been received to date, which could alter the delivery patterns.

### **Sensitivity analysis**

For the rest of 2012:

- a change of \$5 (US) per pound in both the Ux spot price (\$51.75 (US) per pound on April 30, 2012) and the Ux long-term price indicator (\$60.00 (US) per pound on April 30, 2012) would change revenue by \$46 million and net earnings by \$27 million
- a change of \$5/MWh in the electricity spot price would change our 2012 net earnings by \$3 million based on the assumption that the spot price will remain below the floor price of \$51.62/MWh 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 \$7 million and adjusted net earnings by \$3 million. This sensitivity is based on an exchange rate of \$1.00 (US) for \$1.00 (Cdn).

## **Liquidity and capital resources**

### **Cash from operations**

Cash from operations was \$143 million higher this quarter than in 2011 due largely to higher uranium deliveries in the first quarter of 2012. Working capital changes provided \$122 million more in 2012 largely as a result of decreases in accounts receivable during the quarter. Not including working capital requirements, our operating cash flows this quarter were higher by \$21 million, based on higher profits in the uranium business. See *Financial results by segment* on page 16 for details.

### **Debt**

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totalling about \$1.9 billion at March 31, 2012, the same as at December 31, 2011. At March 31, 2012, we had approximately \$662 million outstanding in letters of credit.

### **Debt covenants**

We are bound by certain covenants in our unsecured revolving credit facility. The financially related covenants place restrictions on total debt, including guarantees. As at March 31, 2012, we met these financial covenants and do not expect our operating and investment activities for the remainder of 2012 to be constrained by them.

### **Long-term contractual obligations and off-balance sheet arrangements**

We had two kinds of off-balance sheet arrangements at March 31, 2012:

- purchase commitments
- financial assurances

Other than the agreement to purchase an incremental interest in the Millennium project for \$150 million<sup>1</sup>, there have been no material changes to our long-term contractual obligations, purchase commitments and financial assurances since December 31, 2011, 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.

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<sup>1</sup> See page 26 for more information on the Millennium project.

## Balance sheet

(\$ millions)	Mar 31, 2012	Dec 31, 2011	change
Cash and short-term investments	1,358	1,203	13%
Total debt	1,002	1,039	(4)%
Inventory	495	494	-

Total cash and short-term investments at March 31, 2012 were \$1,358 million, or 13% higher than at December 31, 2011, exceeding our total debt by \$356 million.

Total debt decreased by \$37 million to \$1,002 million at March 31, 2012. Of this total, \$80 million was classified as current, down \$33 million compared to December 31, 2011. See notes 16 and 17 of our audited annual financial statements for more detail.

Total product inventories increased marginally to \$495 million. Uranium inventories declined, as sales were higher than production and purchases in the first three months of the year. Fuel services inventories increased as sales were lower than production and purchases.

## Financial results by segment

### Uranium

Highlights	Three months ended March 31		change
	2012	2011	
Production volume (million lbs)	4.8	4.7	2%
Sales volume (million lbs)	8.1	6.1	33%
Average spot price (\$US/lb)	51.73	67.58	(23)%
Average long-term price (\$US/lb)	60.33	71.00	(15)%
Average realized price (\$US/lb)	48.77	48.06	1%
Average realized price (\$Cdn/lb)	49.40	48.60	2%
Average unit cost of sales (\$Cdn/lb) (including D&A)	31.97	32.21	(1)%
Revenue (\$ millions)	401	297	35%
Gross profit (\$ millions)	141	100	41%
Gross profit (%)	35	34	3%

#### First quarter

Production volumes this quarter were 2% higher compared to the first quarter of 2011 primarily due to higher production from McArthur River/Key Lake, partially offset by lower production at Inkai and Smith Ranch-Highland. See *Uranium 2012 Q1 updates* starting on page 25 for more information.

Uranium revenues this quarter were up 35% compared to 2011, due to a 33% increase in sales volumes and a 2% increase in the \$Cdn realized selling price.

Our realized prices this quarter were higher than the first quarter of 2011 mainly due to higher \$US prices under fixed-price contracts. In the first quarter of 2012, our realized foreign exchange rate was \$1.01, unchanged compared to the prior year.

Total cost of sales (including D&A) increased by 32% (\$260 million compared to \$197 million in 2011). This was mainly the result of the following:

- the 33% increase in sales volumes
- royalty charges in 2012 were \$11 million higher due to increased deliveries of produced material and higher realized prices
- average unit costs for produced uranium were 1% higher due to increased non-cash production costs at our ISR locations

The net effect was a \$41 million increase in gross profit for the quarter.

The following table shows the costs of produced and purchased uranium incurred in the reporting periods (non-IFRS measures see below). These costs do not include selling costs such as royalties, transportation and commissions, nor do they reflect the impact of opening inventories on our reported cost of sales.

(\$Cdn/lb)	Three months ended March 31		change
	2012	2011	
<b>Produced</b>			
Cash cost	<b>22.39</b>	22.38	-
Non-cash cost	<b>7.51</b>	7.17	5%
Total production cost	<b>29.90</b>	29.55	1%
Quantity produced (million lbs)	<b>4.8</b>	4.7	2%
<b>Purchased</b>			
Cash cost	<b>34.64</b>	52.78	(34)%
Quantity purchased (million lbs)	<b>1.4</b>	1.5	(7)%
<b>Totals</b>			
Produced and purchased costs	<b>30.97</b>	35.17	(12)%
Quantities produced and purchased (million lbs)	<b>6.2</b>	6.2	-

Cash cost per pound, non-cash cost per pound and total cost per pound for produced and purchased uranium presented in the above table are non-IFRS measures. These measures do not have a standardized meaning or a consistent basis of calculation under IFRS. We use these measures in our assessment of the performance of our uranium business. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance and ability to generate cash flow.

These measures are non-standard supplemental information and should not be considered in isolation or as a substitute for measures of performance prepared according to accounting standards. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently so you may not be able to make a direct comparison to similar measures presented by other companies.

To facilitate a better understanding of these measures, the table on the following page presents a reconciliation of these measures to our unit cost of sales for the first quarters of 2012 and 2011.

## Cash and total cost per pound reconciliation

(\$ millions)	Three months ended March 31		
	2012	2011	change
<b>Cost of product sold</b>	<b>228.1</b>	174.7	31%
<b>Add / (subtract)</b>			
Royalties	(33.4)	(22.5)	48%
Standby charges	(7.1)	(5.3)	34%
Other selling costs	(1.9)	(4.5)	(58)%
Change in inventories	(29.7)	42.0	(171)%
<b>Cash operating costs (a)</b>	<b>156.0</b>	184.4	(15)%
<b>Add / (subtract)</b>			
Depreciation and amortization	31.4	22.4	40%
Change in inventories	4.6	11.3	(59)%
<b>Total operating costs (b)</b>	<b>192.0</b>	218.1	(12)%
Uranium produced & purchased (millions lbs) (c)	6.2	6.2	-
<b>Cash costs per pound (a ÷ c)</b>	<b>25.16</b>	29.74	(15)%
<b>Total costs per pound (b ÷ c)</b>	<b>30.97</b>	35.18	(12)%

### 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 our portfolio of long-term contracts would respond to different spot prices. In other words, we would realize these prices only if the contract portfolio remained the same, and none of the assumptions we list below change.

We intend to update this table each quarter in our MD&A to reflect deliveries made and changes to our contract portfolio each quarter. As a result we expect the table to change from quarter to quarter.

*Expected realized uranium price sensitivity under various spot price assumptions\**  
(rounded to the nearest \$1.00)

(\$US/lb U <sub>3</sub> O <sub>8</sub> )							
Spot prices	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2012	43	44	49	55	61	66	71
2013	43	46	55	63	73	82	89
2014	46	48	56	65	74	83	90
2015	43	47	57	67	78	88	98
2016	46	50	59	69	79	89	98

The table illustrates the mix of long-term contracts in our portfolio, and is consistent with our contracting strategy. The table has been updated to reflect:

- 1) in the quarter:
  - deliveries made and contracts entered into
  - changes to deliveries under some sales contracts to assist our customers who were directly impacted by the March 2011 nuclear incident in Japan
  - changes to deliveries under some contracts where deliveries are tied to reactor requirements
- 2) the expected termination of a lower priced sales contract

Our portfolio includes a mix of fixed-price and market-related 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 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 14% 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% per year

**Tiered royalties**

The following table provides the updated rates for 2012 Saskatchewan tiered royalty calculations on the sale of uranium extracted from our Saskatchewan mines.

The tiered royalty is calculated on the positive difference between the sales price per pound of U<sub>3</sub>O<sub>8</sub> and the prescribed prices according to the following:

Royalty rate	Canadian dollar sales price in excess of:
6%	\$18.66
plus 4%	\$28.00
plus 5%	\$37.33

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

$$\begin{aligned}
 & [6\% \times (\$50.00 - \$18.66) \times \text{pounds sold}] \\
 & + [4\% \times (\$50.00 - \$28.00) \times \text{pounds sold}] \\
 & + [5\% \times (\$50.00 - \$37.33) \times \text{pounds sold}] \\
 & = \$3.39 \text{ per pound sold (about 6.8\% of the assumed \$50 contract price)}
 \end{aligned}$$

## Fuel services

(includes results for UF<sub>6</sub>, UO<sub>2</sub> and fuel fabrication)

Highlights	Three months ended March 31		change
	2012	2011	
Production volume (million kgU)	4.5	4.3	5%
Sales volume (million kgU)	2.8	2.4	17%
Realized price (\$Cdn/kgU)	19.98	20.60	(3)%
Average unit cost of sales (\$Cdn/kgU) (including D&A)	16.09	17.77	(9)%
Revenue (\$ millions)	56	49	14%
Gross profit (\$ millions)	11	7	57%
Gross profit (%)	20	14	43%

### First quarter

Production volumes were 5% higher than in 2011 due to operational issues at our UF<sub>6</sub> conversion facility that resulted in a two week shutdown in 2011.

Total revenue was \$7 million higher than in 2011 due to a 17% increase in sales volumes, partially offset by a 3% decline in the average realized price for our fuel services products.

Our \$Cdn realized price for fuel services was affected by the mix of products delivered in the quarter. In 2012, a higher proportion of fuel services sales were for UF<sub>6</sub>, which typically yields a lower price than the other fuel services products.

The total cost of sales (including D&A) increased by 7% (\$45 million compared to \$42 million in the first quarter of 2011) due to the increase in sales volumes along with the mix of products delivered in the quarter. As a result of the product mix, the average unit cost of sales was 9% lower for the quarter.

The net effect was a \$4 million increase in gross profit.

## Electricity

### BPLP

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

Highlights (\$ millions except where indicated)	Three months ended March 31		change
	2012	2011	
Output - terawatt hours (TWh)	6.0	6.4	(6)%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	85%	91%	(7)%
Realized price (\$/MWh)	55 <sup>1</sup>	53	4%
Average Ontario electricity spot price (\$/MWh)	20	32	(38)%
Revenue	334	340	(2)%
Operating costs (net of cost recoveries)	241	233	3%
Cash costs	187	186	1%
Non-cash costs	54	47	15%
Income before interest and finance charges	93	107	(13)%
Interest and finance charges	-	6	-
Cash from operations	149	119	25%
Capital expenditures	39	39	-
Distributions	30	70	(57)%
Capital calls	16	-	-
Operating costs (\$/MWh)	40 <sup>1</sup>	36	11%

<sup>1</sup>Based on actual generation of 6.0 TWh plus deemed generation of 0.1 TWh in the first quarter.

### Our earnings from BPLP

Highlights (\$ millions except where indicated)	Three months ended March 31		change
	2012	2011	
BPLP's earnings before taxes (100%)	93	101	(8)%
Cameco's share of pretax earnings before adjustments (31.6%)	29	32	(9)%
Proprietary adjustments	(1)	(2)	50%
Earnings before taxes from BPLP	28	30	(7)%

### First quarter

Total electricity revenue decreased slightly this quarter compared to the first quarter of 2011 due to lower output which was almost completely offset by higher realized prices. Realized prices reflect spot sales, revenue recognized under BPLP's agreement with the OPA and financial contract revenue. BPLP recognized revenue of \$185 million this quarter under its agreement with the OPA, compared to \$109 million in the first quarter of 2011. About 62% of BPLP's output was sold under financial contracts this quarter, compared to 36% in the first quarter of 2011. Pricing under these contracts was slightly higher than in 2011. From time to time BPLP enters the market to lock in the gains under these contracts.

The capacity factor was 85% this quarter, down from 91% in the first quarter of 2011 due to a higher volume of planned outage days when compared to last year. Operating costs were slightly higher at \$241 million compared to \$233 million in 2011.

The result was a 7% decrease in our share of earnings before taxes.

BPLP distributed \$30 million to the partners in the first quarter. Our share was \$9 million. Also, BPLP made capital calls of \$16 million to the partners in the first quarter. Our share was \$5 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

## Our operations and development projects

### Uranium – production overview

Production in our uranium segment this quarter was up 2% compared to the first quarter of 2011, mainly due to higher production from McArthur River/Key Lake, partially offset by lower production at Inkai and Smith Ranch-Highland. See *Uranium 2012 Q1 updates* starting on page 25 for more information.

Key highlight:

- in the US, we have started to receive regulatory approvals for expansion at various satellite operations

### Uranium production

Cameco's share (million lbs)	Three months ended March 31		
	2012	2011	change
McArthur River/Key Lake	2.9	2.4	21%
Rabbit Lake	1.0	1.0	-
Smith Ranch-Highland	0.2	0.4	(50)%
Crow Butte	0.2	0.2	-
Inkai	0.5	0.7	(29)%
Total	4.8	4.7	2%

### Outlook

We have geographically diverse sources of production. Our strategy is to increase 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 2016*

Current forecast (million lbs)	2012	2013	2014	2015	2016
McArthur River/Key Lake	13.1	13.1	13.1	13.1	13.1
Rabbit Lake	3.7	3.7	3.7	3.7	3.4
US ISR	2.4	3.0	3.1	3.7	3.8
Inkai <sup>1</sup>	2.5	2.9	2.9	2.9	2.9
Cigar Lake	-	0.3	1.9	5.5	7.9
<b>Total share of production</b>	<b>21.7</b>	<b>23.0</b>	<b>24.7</b>	<b>28.9</b>	<b>31.1</b>
<b>Cameco's share of Inkai's production on which profits are generated<sup>2</sup></b>					
Inkai <sup>1</sup>	2.6	3.0	3.0	3.0	3.0
<b>Total<sup>2</sup></b>	<b>21.8</b>	<b>23.1</b>	<b>24.8</b>	<b>29.0</b>	<b>31.2</b>

<sup>1</sup> We have signed an memorandum of agreement (MOA) with Kazatomprom to increase annual production to 5.2 million pounds (100% basis). Once implemented, we will receive the right to purchase 2.9 million pounds of Inkai's annual production and receive profits on 3.0 million pounds.

<sup>2</sup> We have adjusted the production table to reflect the share of Inkai's production we will use to calculate our profits under the MOA, as described in the note above.

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

Our 2012 and future annual production targets for Inkai assume, and we expect:

- Inkai will obtain the necessary government permits and approvals to produce at an annual rate of 5.2 million pounds (100% basis), including an amendment to the resource use contract
- we reach a binding agreement with Kazatomprom to finalize the terms of the MOA
- Inkai will ramp up production to an annual rate of 5.2 million pounds (100% basis)

There is no certainty Inkai will receive these permits or approvals or we will reach a binding agreement with Kazatomprom or that Inkai will be able to ramp up production. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2012 and future annual production targets and we may have to re-categorize some of Inkai's mineral reserves as resources.

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This forecast is forward-looking information. It is based on the assumptions and subject to the material risks discussed on pages 2 & 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 and equipment are available and function as designed, we have sufficient tailings capacity and our mineral reserve estimates are reliable
- 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 or equipment 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 approvals from government authorities
- 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 2012 Q1 updates

### Operating properties

#### McArthur River/Key Lake

##### Production update

At McArthur River/Key Lake production was 21% higher in the first quarter compared to the same period last year. In the first quarter of 2011, we decided to remove abandoned freezepipes from a production area, which disrupted production for the quarter. We have not experienced any production disruptions in 2012.

##### Operations update

At McArthur River, drilling to install the freezeway in the upper mining area of zone 4 is progressing as planned. We expect to start freezing upper zone 4 in 2013 and begin production from this area in 2014.

We are continuing to advance work on the environmental assessment for the Key Lake extension project. We have submitted the draft environmental impact statement to the regulators. Comments on the draft are expected before the end of the 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. We manage ore supply to ensure efficient operation of the mill.

##### Operations update

We are continuing our underground reserve replacement drilling. We expect to complete the first phase of our surface exploration drilling program, designed to test and evaluate areas east and northeast of the mine, as well as to the north and south, by the end of the second quarter.

#### Smith Ranch-Highland and Crow Butte

##### Production update

Production this quarter was 33% lower compared to the same period last year due to lower production from Smith Ranch-Highland. The review process to obtain regulatory approvals has lengthened at Smith Ranch-Highland, which has increased the timeline to bring new wellfields into production. However, regulatory approval for a new wellfield has been received and production rates were starting to increase near the end of the first quarter.

##### Operations update

We continue to seek regulatory approvals to proceed with expansions at our various satellite operations in Wyoming and Nebraska. The regulators are working through a large volume of permit requests and we have started to receive approvals. We continue to communicate with them to ensure we understand and meet their information needs in a timely manner.

We are commencing development of our North Butte satellite facility in Wyoming.

## Inkai

### Production update

Production for the quarter was 29% lower compared to the same period last year. As our existing wellfields mature, the grades decrease. Average grades at in situ recovery operations typically stabilize at levels lower than initial years as uranium is recovered from a mix of wellfields of varying maturities. We continue to bring on additional wellfields to maintain some new, typically higher grade, wellfields in the production mix. We are also ramping up flow capacity at the Inkai operation in order to compensate for lower grades.

### Operations update

As announced on August 31, 2011, we signed an MOA with our partner, Kazatomprom, to increase production from blocks 1 and 2 to 5.2 million pounds of  $U_3O_8$  (100% basis). Under the MOA, our share of Inkai's annual production will be 2.9 million pounds with the processing plant at full capacity. We will also be entitled to receive profits on 3.0 million pounds.

We continue to await government approval and an amendment to the resource use contract in order to implement the production increase.

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

### Development project

#### Cigar Lake

We continued to make solid progress at Cigar Lake this quarter. We continued development of the Seru Bay pipeline, which we expect to be complete by mid-2012. We have resumed development in the north end of the mine, and construction of the underground processing facilities is underway.

The first components of the jet boring system are now on site. As the components arrive, we are lowering them underground where the unit will be fully assembled in preparation for further testing.

We continue to advance shaft 2 and expect to reach the final depth of 500 metres by mid-2012.

We continued drilling freezeholets from surface and initiating the freezing process in the holes as they are ready to come on line.

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.

We continue to expect first commissioning in ore in mid-2013 and the first packaged pounds in the fourth quarter of 2013.

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

### Projects under evaluation

As announced on March 2, 2012, we have entered into an agreement with AREVA Resources Canada Inc. to purchase AREVA's 27.94% interest in the Millennium project for \$150 million.

The sale of the full amount of AREVA's interest is subject to JCU (Canada) Exploration Co.'s (JCU) rights of refusal on transfers under the terms of the Cree Extension Joint Venture agreement. If JCU does not exercise its rights, we will acquire the entire 27.94% interest from AREVA and increase our ownership interest in the Millennium project to 69.9%. If JCU elects to exercise its rights, it will acquire an additional 11.67% interest and we will acquire an additional 16.27% interest, resulting in our ownership interest in the Millennium project increasing to 58.23%.

Our ownership interest is dependent on JCU either exercising or waiving its rights under the Cree Extension Joint Venture agreement. We expect the transaction to close no later than June 6, 2012.

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 2012 Q1 updates

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

### Production update

Fuel services production totalled 4.5 million kgU this quarter, compared to 4.3 million kgU in the first quarter of 2011.

### Operations update

On February 29, 2012, the Canadian Nuclear Safety Commission approved new operating licences for the Blind River refinery, the Port Hope conversion facility, and Cameco Fuel Manufacturing. A five-year operating licence was granted for the Port Hope conversion facility, while Cameco Fuel Manufacturing and the Blind River refinery were granted 10-year operating licences. In addition to the new operating licence at the Bind River refinery, the annual licensed production capacity was increased from 18,000 tU as UO<sub>3</sub> to 24,000 tU as UO<sub>3</sub>.

The collective agreement covering unionized employees at Cameco Fuel Manufacturing Inc. expires on June 1, 2012. Negotiations are in progress with the goal of reaching a new collective agreement.

## 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 approved by 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 Neuburger, 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 the first three months of 2012, we paid PACL \$13.0 million for construction and contracting services (2011 - \$13.8 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 2011 annual MD&A, we have identified the critical accounting estimates that reflect the more significant judgments used in the preparation of our financial statements. 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 March 31, 2012, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer (CEO) and chief financial officer (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 March 31, 2012, 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 March 31, 2012 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, 2015 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)**

Effective January 1, 2012, we adopted the new amendment of IAS 1, *Presentation of Financial Statements* ("IAS 1"). This amendment is effective for periods beginning on or after July 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. There was no financial impact to previously reported financial statements as a result of the implementation of the new standard.

### **Financial assets and financial liabilities**

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") and IFRS 7, *Financial Instruments: disclosures* ("IFRS 7"). The amendments are effective for periods beginning on or after January 1, 2013 for IFRS 7 and January 1, 2014 for IAS 32 and are to be applied retrospectively. These amendments clarify matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. We are assessing the impact of these revised standards on our financial statements.

**Cameco Corporation**  
**Consolidated Statements of Earnings**

(Unaudited)

(\$Cdn Thousands, except per share amounts)

	Note	Three Months Ended	
		Mar 31/12	Mar 31/11
Revenue from products and services		\$563,258	\$461,101
Cost of products and services sold		326,346	275,564
Depreciation and amortization		59,031	49,113
<b>Cost of sales</b>		<b>385,377</b>	<b>324,677</b>
<b>Gross profit</b>		<b>177,881</b>	<b>136,424</b>
Administration		39,021	33,763
Exploration		24,685	17,826
Research and development		3,125	994
Cigar Lake remediation		(760)	3,052
Gain on sale of assets		(3,062)	(25)
<b>Earnings from operations</b>		<b>114,872</b>	<b>80,814</b>
Finance costs	8	(22,268)	(19,857)
Gains on derivatives	13	24,454	23,729
Finance income		5,981	6,652
Share of loss from equity-accounted investees		(812)	(2,691)
Other income		-	4,623
<b>Earnings before income taxes</b>		<b>122,227</b>	<b>93,270</b>
Income tax expense (recovery)	9	(7,568)	3,807
<b>Net earnings</b>		<b>\$129,795</b>	<b>\$89,463</b>
<b>Net earnings (loss) attributable to:</b>			
Equity holders		\$131,739	\$91,487
Non-controlling interest		(1,944)	(2,024)
<b>Net earnings</b>		<b>\$129,795</b>	<b>\$89,463</b>
<b>Earnings per common share attributable to equity holders</b>			
Basic	14	<b>\$0.33</b>	<b>\$0.23</b>
Diluted	14	<b>\$0.33</b>	<b>\$0.23</b>

See accompanying notes to condensed consolidated interim financial statements.

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

	Note	Three Months Ended	
		Mar 31/12	Mar 31/11
<b>Net earnings</b>		<b>\$129,795</b>	<b>\$89,463</b>
Other comprehensive income (loss), net of taxes	9		
Exchange differences on translation of foreign operations		(19,995)	(23,380)
Gains on derivatives designated as cash flow hedges		7,063	1,611
Gains on derivatives designated as cash flow hedges transferred to net earnings		(5,535)	(6,131)
Unrealized gains (losses) on available-for-sale assets		(274)	467
Gains on available-for-sale assets transferred to net earnings		(46)	(1,835)
Other comprehensive loss, net of taxes		<b>(18,787)</b>	<b>(29,268)</b>
<b>Total comprehensive income</b>		<b>\$111,008</b>	<b>\$60,195</b>
<b>Other comprehensive loss attributable to:</b>			
Equity holders		\$(17,495)	\$(26,958)
Non-controlling interest		(1,292)	(2,310)
<b>Other comprehensive loss for the period</b>		<b>\$(18,787)</b>	<b>\$(29,268)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders		\$114,244	\$64,529
Non-controlling interest		(3,236)	(4,334)
<b>Total comprehensive income for the period</b>		<b>\$111,008</b>	<b>\$60,195</b>

See accompanying notes to condensed consolidated interim financial statements.

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

	Note	As At	
		Mar 31/12	Dec 31/11
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$448,864	\$399,279
Short-term investments		909,226	804,141
Accounts receivable		284,929	612,181
Current tax assets		40,091	31,388
Inventories	4	495,223	493,875
Supplies and prepaid expenses		175,108	182,037
Current portion of long-term receivables, investments and other	5	86,316	62,433
<b>Total current assets</b>		<b>2,439,757</b>	<b>2,585,334</b>
Property, plant and equipment			
Intangible assets		4,584,360	4,532,107
Long-term receivables, investments and other	5	97,726	98,954
Investments in equity-accounted investees		310,920	283,818
Deferred tax assets		219,036	220,226
Total non-current assets		102,176	81,392
<b>Total assets</b>		<b>\$7,753,975</b>	<b>\$7,801,831</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$403,502	\$457,307
Current tax liabilities		14,762	39,330
Short-term debt		64,510	97,830
Dividends payable		39,525	39,475
Current portion of finance lease obligation		15,200	14,852
Current portion of other liabilities	6	44,154	50,495
Current portion of provisions		15,253	14,857
<b>Total current liabilities</b>		<b>596,906</b>	<b>714,146</b>
Long-term debt			
Finance lease obligation		795,314	795,144
Other liabilities	6	127,032	130,982
Provisions		525,735	528,264
Deferred tax liabilities		515,423	519,625
Total non-current liabilities		10,291	8,165
		1,973,795	1,982,180
Shareholders' equity			
Share capital		1,849,173	1,842,289
Contributed surplus		154,502	155,757
Retained earnings		2,967,187	2,874,973
Other components of equity		29,053	46,548
<b>Total shareholders' equity attributable to equity holders</b>		<b>4,999,915</b>	<b>4,919,567</b>
Non-controlling interest			
		183,359	185,938
<b>Total shareholders' equity</b>		<b>5,183,274</b>	<b>5,105,505</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$7,753,975</b>	<b>\$7,801,831</b>

Commitments and contingencies [notes 9,12]

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, 2012	\$1,842,289	\$155,757	\$2,874,973	\$26,840	\$19,560	\$148	\$4,919,567	\$185,938	\$5,105,505
Net earnings	-	-	131,739	-	-	-	131,739	(1,944)	129,795
Total other comprehensive income	-	-	-	(18,703)	1,528	(320)	(17,495)	(1,292)	(18,787)
<b>Total comprehensive income for the period</b>	-	-	131,739	(18,703)	1,528	(320)	114,244	(3,236)	111,008
Stock-based compensation	-	2,220	-	-	-	-	2,220	-	2,220
Share options exercised	6,884	(3,475)	-	-	-	-	3,409	-	3,409
Dividends	-	-	(39,525)	-	-	-	(39,525)	-	(39,525)
Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	(1,289)	(1,289)
Transactions with owners - contributed equity	-	-	-	-	-	-	-	1,946	1,946
<b>Balance at March 31, 2012</b>	<b>\$1,849,173</b>	<b>\$154,502</b>	<b>\$2,967,187</b>	<b>\$8,137</b>	<b>\$21,088</b>	<b>\$(172)</b>	<b>\$4,999,915</b>	<b>\$183,359</b>	<b>\$5,183,274</b>
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
Net earnings	-	-	91,487	-	-	-	91,487	(2,024)	89,463
Total other comprehensive income	-	-	-	(21,070)	(4,520)	(1,368)	(26,958)	(2,310)	(29,268)
<b>Total comprehensive income for the period</b>	-	-	91,487	(21,070)	(4,520)	(1,368)	64,529	(4,334)	60,195
Stock-based compensation	-	8,095	-	-	-	-	8,095	-	8,095
Share options exercised	8,304	(5,943)	-	-	-	-	2,361	-	2,361
Dividends	-	-	(39,470)	-	-	-	(39,470)	-	(39,470)
Transactions with owners - contributed equity	-	-	-	-	-	-	-	2,595	2,595
<b>Balance at March 31, 2011</b>	<b>\$1,841,561</b>	<b>\$144,528</b>	<b>\$2,742,201</b>	<b>\$(28,673)</b>	<b>\$25,786</b>	<b>\$425</b>	<b>\$4,725,828</b>	<b>\$176,400</b>	<b>\$4,902,228</b>

See accompanying notes to condensed consolidated interim financial statements.

**Cameco Corporation**  
**Consolidated Statements of Cash Flows**

(Unaudited)  
(\$Cdn Thousands)

	Note	Three Months Ended	
		Mar 31/12	Mar 31/11
<b>Operating activities</b>			
Net earnings		\$129,795	\$89,463
Adjustments for:			
Depreciation and amortization		59,031	49,113
Deferred charges		(72)	(3,726)
Unrealized gains on derivatives		(19,276)	(5,634)
Share-based compensation		2,220	8,095
Gain on sale of assets		(3,062)	(25)
Finance costs	8	22,268	19,857
Finance income		(5,981)	(6,652)
Share of loss from equity-accounted investees		812	2,691
Other income		-	(4,623)
Income tax expense (recovery)	9	(7,568)	3,807
Interest received		6,942	3,975
Income taxes paid		(46,520)	(38,674)
Other operating items	10	270,163	148,364
<b>Net cash provided by operations</b>		<b>408,752</b>	<b>266,031</b>
<b>Investing activities</b>			
Additions to property, plant and equipment		(136,079)	(123,827)
Increase in short-term investments		(105,457)	(131,973)
Decrease (increase) in long-term receivables, investments and other		(25,592)	27,835
Proceeds from sale of property, plant and equipment		33	25
<b>Net cash used in investing</b>		<b>(267,095)</b>	<b>(227,940)</b>
<b>Financing activities</b>			
Decrease in debt		(35,595)	(3,824)
Interest paid		(24,338)	(24,195)
Contributions from non-controlling interest		2,493	4,243
Proceeds from issuance of shares, stock option plan		5,577	6,779
Dividends paid		(39,475)	(27,605)
<b>Net cash used in financing</b>		<b>(91,338)</b>	<b>(44,602)</b>
Increase (decrease) in cash during the period		50,319	(6,511)
Exchange rate changes on foreign currency cash balances		(734)	(2,387)
Cash and cash equivalents at beginning of period		399,279	376,621
<b>Cash and cash equivalents at end of period</b>		<b>\$448,864</b>	<b>\$367,723</b>
<b>Cash and cash equivalents is comprised of:</b>			
Cash		\$73,982	\$82,888
Cash equivalents		374,882	284,835
		<b>\$448,864</b>	<b>\$367,723</b>

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 11<sup>th</sup> Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended March 31, 2012 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*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Cameco’s annual consolidated financial statements as at and for the year ended December 31, 2011.

These condensed consolidated interim financial statements were authorized for issuance by the Company’s Board of Directors on April 30, 2012.

**(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, available-for-sale financial assets and liabilities for cash-settled share-based payment arrangements are measured at fair value and the defined benefit asset is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation.

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 judgments made by management in applying the Company’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2011.

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 December 31, 2011 consolidated financial statements.

**3. 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, 2012, 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* (“IAS 39”). 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 ("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 July 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.

**(viii) Financial Assets and Financial Liabilities**

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") and IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The amendments are effective for periods beginning on or after January 1, 2013 for IFRS 7 and January 1, 2014 for IAS 32 and are to be applied retrospectively. These amendments clarify matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. Cameco is assessing the impact of these revised standards on its financial statements.

#### 4. Inventories

	Mar 31/12	Dec 31/11
<b>Uranium</b>		
Concentrate	\$337,762	\$361,481
Broken ore	18,669	14,310
	356,431	375,791
<b>Fuel Services</b>	138,792	118,084
<b>Total</b>	<b>\$495,223</b>	<b>\$493,875</b>

#### 5. Long-Term Receivables, Investments and Other

	Mar 31/12	Dec 31/11
<b>BPLP</b>		
Capital lease receivable from Bruce A Limited Partnership ("BALP") <sup>(a)</sup>	\$86,268	\$87,785
Derivatives [note 13]	68,832	54,010
Available-for-sale securities		
GoviEx Uranium (privately held)	20,686	21,057
Derivatives [note 13]	18,246	17,392
Advances receivable from Inkai JV LLP [note 16]	98,179	78,058
Investment tax credits	60,594	54,038
Other	44,431	33,911
	397,236	346,251
Less current portion	(86,316)	(62,433)
<b>Net</b>	<b>\$310,920</b>	<b>\$283,818</b>

<sup>(a)</sup> 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.

#### 6. Other Liabilities

	Mar 31/12	Dec 31/11
Deferred sales	\$13,106	\$13,739
Derivatives [note 13]	11,983	28,499
Accrued pension and post-retirement benefit liability	28,818	38,050
<b>BPLP</b>		
Accrued pension and post-retirement benefit liability	475,796	468,363
Derivatives [note 13]	30,312	19,439
Ontario Power Generation Inc. ("OPG") loan	3,444	4,045
Other	6,430	6,624
	569,889	578,759
Less current portion	(44,154)	(50,495)
<b>Total</b>	<b>\$525,735</b>	<b>\$528,264</b>

## 7. Share Capital

- (a) At March 31, 2012, there were 395,252,398 common shares outstanding.
- (b) Options in respect of 7,924,467 shares are outstanding under the stock option plan and are exercisable up to 2019. For the quarter ended March 31, 2012, 506,975 options were exercised resulting in the issuance of shares (2011 – 348,552).

## 8. Finance Costs

	Three Months Ended	
	Mar 31/12	Mar 31/11
Interest on long-term debt	\$13,391	\$14,139
Unwinding of discount on provisions	3,363	3,291
Other charges	2,391	992
Foreign exchange losses	2,437	741
Interest on short-term debt	686	694
<b>Total</b>	<b>\$22,268</b>	<b>\$19,857</b>

## 9. Income Taxes

	Three Months Ended	
	Mar 31/12	Mar 31/11
Earnings (loss) before income taxes		
Canada	\$(79,346)	\$(20,014)
Foreign	201,573	113,284
	<b>\$122,227</b>	<b>\$93,270</b>
Current income taxes (recovery)		
Canada	\$1,414	\$(6,691)
Foreign	10,893	11,580
	<b>\$12,307</b>	<b>\$4,889</b>
Deferred income taxes (recovery)		
Canada	\$(18,385)	\$3,517
Foreign	(1,490)	(4,599)
	<b>\$(19,875)</b>	<b>\$(1,082)</b>
<b>Income tax expense (recovery)</b>	<b>\$(7,568)</b>	<b>\$3,807</b>

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, 2005 and 2006, which have increased Cameco's income for Canadian income tax purposes by approximately \$43,000,000, \$108,000,000, \$197,000,000 and \$243,000,000 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 \$56,000,000. No provisions for penalties or interest have been recorded. Cameco does not expect more than a nominal amount of cash taxes to be payable due to the availability of elective deductions and tax loss carryovers. While the resolution

of this matter may result in liabilities that are higher or lower than the reserve, management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity over the period. However, an unfavourable outcome for the years 2003 to 2011 could be material to Cameco's financial position, results of operations or cash flows in the year(s) of resolution.

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

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

**For the three months ended March 31, 2012**

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(19,995)	\$ -	\$(19,995)
Gains on derivatives designated as cash flow hedges	9,417	(2,354)	7,063
Gains on derivatives designated as cash flow hedges transferred to net earnings	(7,380)	1,845	(5,535)
Unrealized losses on available-for-sale assets	(318)	44	(274)
Gains on available-for-sale assets transferred to net earnings	(53)	7	(46)
	<b>\$(18,329)</b>	<b>\$(458)</b>	<b>\$(18,787)</b>

**For the three months ended March 31, 2011**

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

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

	Three Months Ended	
	Mar 31/12	Mar 31/11
Changes in non-cash working capital:		
Accounts receivable	\$329,497	\$249,157
Inventories	3,012	(59,198)
Supplies and prepaid expenses	6,820	5,286
Accounts payable and accrued liabilities	(47,046)	(23,774)
Other	(22,120)	(23,107)
<b>Total</b>	<b>\$270,163</b>	<b>\$148,364</b>

## 11. Stock Option Plan

The Company has established a stock option plan under which options to purchase common shares may be granted to 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.

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 26,993,794 shares have been issued.

Cameco records compensation expense with an offsetting credit to contributed surplus to reflect the estimated fair value of stock options granted to employees. For the quarter ended March 31, 2012, the amount recorded was \$3,132,000 (2011 - \$7,245,000).

## 12. 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 ("MPA"). 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 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 2012 to 2018:
- i) Guarantees to customers under power sales agreements of up to \$19,000,000. At March 31, 2012, Cameco's actual exposure under these agreements was \$9,200,000.
  - 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 2012, BPLP recorded \$184,500,000 under this agreement which was recognized as revenue with Cameco's share being \$58,300,000.

### 13. Derivatives

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

#### As at March 31, 2012

	Cameco	BPLP	Total
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(297)	\$8,960	\$8,663
Foreign currency contracts	2,304	-	2,304
Interest rate contracts	4,256	-	4,256
Cash flow hedges:			
Energy and sales contracts	-	29,560	29,560
<b>Net</b>	<b>\$6,263</b>	<b>\$38,520</b>	<b>\$44,783</b>
Classification:			
Current portion of long-term receivables, investments and other [note 5]	\$12,604	\$56,277	\$68,881
Long-term receivables, investments and other [note 5]	5,642	12,555	18,197
Current portion of other liabilities [note 6]	(9,727)	(27,633)	(37,360)
Other liabilities [note 6]	(2,256)	(2,679)	(4,935)
<b>Net</b>	<b>\$6,263</b>	<b>\$38,520</b>	<b>\$44,783</b>

**As at December 31, 2011**

	<b>Cameco</b>	<b>BPLP</b>	<b>Total</b>
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$(639)	\$8,033	\$7,394
Foreign currency contracts	(17,633)	-	(17,633)
Interest rate contracts	7,165	-	7,165
Cash flow hedges:			
Energy and sales contracts	-	26,538	26,538
<b>Net</b>	<b>\$(11,107)</b>	<b>\$34,571</b>	<b>\$23,464</b>
Classification:			
Current portion of long-term receivables, investments and other [note 5]	\$8,922	\$42,088	\$51,010
Long-term receivables, investments and other [note 5]	8,470	11,922	20,392
Current portion of other liabilities [note 6]	(26,555)	(16,913)	(43,468)
Other liabilities [note 6]	(1,944)	(2,526)	(4,470)
<b>Net</b>	<b>\$(11,107)</b>	<b>\$34,571</b>	<b>\$23,464</b>

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

**For the three months ended March 31, 2012**

	<b>Cameco</b>	<b>BPLP</b>	<b>Total</b>
Non-hedge derivatives:			
Embedded derivatives - sales contracts	\$330	\$2,085	\$2,415
Foreign currency contracts	23,887	-	23,887
Interest rate contracts	(1,675)	-	(1,675)
Cash flow hedges:			
Energy and sales contracts	-	(173)	(173)
<b>Net</b>	<b>\$22,542</b>	<b>\$1,912</b>	<b>\$24,454</b>

**For the three months ended March 31, 2011**

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

Over the next 12 months, based on current exchange rates, Cameco expects an estimated \$23,500,000 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.

#### 14. 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 2012 was 394,966,854 (2011 – 394,507,490).

	<b>Three Months Ended</b>	
	<b>Mar 31/12</b>	<b>Mar 31/11</b>
<b>Basic earnings per share computation</b>		
Net earnings attributable to equity holders	\$131,739	\$91,487
Weighted average common shares outstanding	394,967	394,507
<b>Basic earnings per common share</b>	<b>\$0.33</b>	<b>\$0.23</b>
<b>Diluted earnings per share computation</b>		
Net earnings attributable to equity holders	\$131,739	\$91,487
Weighted average common shares outstanding	394,967	394,507
Dilutive effect of stock options	507	1,804
Weighted average common shares outstanding, assuming dilution	395,474	396,311
<b>Diluted earnings per common share</b>	<b>\$0.33</b>	<b>\$0.23</b>

## 15. 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 most recent annual consolidated financial statements. Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis and are eliminated on consolidation.

### (a) Business Segments

#### For the three months ended March 31, 2012

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$401,078	\$56,245	\$105,386	\$549	\$563,258
Expenses					
Cost of products and services sold	228,146	41,067	57,065	68	326,346
Depreciation and amortization	31,444	4,238	19,200	4,149	59,031
<b>Cost of sales</b>	<b>259,590</b>	<b>45,305</b>	<b>76,265</b>	<b>4,217</b>	<b>385,377</b>
<b>Gross profit (loss)</b>	<b>141,488</b>	<b>10,940</b>	<b>29,121</b>	<b>(3,668)</b>	<b>177,881</b>
Exploration	24,685	-	-	-	24,685
Cigar Lake remediation	(760)	-	-	-	(760)
Gain on sale of assets	(45)	(3,017)	-	-	(3,062)
Share of loss from equity-accounted investees	23	789	-	-	812
Non-segmented expenses					33,979
<b>Earnings (loss) before income taxes</b>	<b>117,585</b>	<b>13,168</b>	<b>29,121</b>	<b>(3,668)</b>	<b>122,227</b>
Income tax recovery					(7,568)
<b>Net earnings</b>					<b>\$129,795</b>

**For the three months ended March 31, 2011**

	Uranium	Fuel Services	Electricity	Other	Total
Revenue	\$297,307	\$49,250	\$107,408	\$7,136	\$461,101
Expenses					
Cost of products and services sold	174,652	37,995	56,076	6,841	275,564
Depreciation and amortization	22,351	4,492	17,712	4,558	49,113
<b>Cost of sales</b>	<b>197,003</b>	<b>42,487</b>	<b>73,788</b>	<b>11,399</b>	<b>324,677</b>
<b>Gross profit (loss)</b>	<b>100,304</b>	<b>6,763</b>	<b>33,620</b>	<b>(4,263)</b>	<b>136,424</b>
Exploration	17,826	-	-	-	17,826
Cigar Lake remediation	3,052	-	-	-	3,052
Gain on sale of assets	(25)	-	-	-	(25)
Share of loss from equity-accounted investees	1,914	777	-	-	2,691
Other income	(4,623)	-	-	-	(4,623)
Non-segmented expenses					24,233
<b>Earnings (loss) before income taxes</b>	<b>82,160</b>	<b>5,986</b>	<b>33,620</b>	<b>(4,263)</b>	<b>93,270</b>
Income tax expense					3,807
<b>Net earnings</b>					<b>\$89,463</b>

**16. 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.

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 2012, Cameco paid Points Athabasca Contracting Ltd. \$13,000,000 (2011 - \$13,800,000) 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 \$2,300,000 (2011 - \$3,400,000).

## Other Related Party Transactions

	Transaction Value		Balance Outstanding	
	Three Months Ended Mar 31/12	Mar 31/11	As at Mar 31/12	Mar 31/11
<b>Sale of goods and services</b>				
Jointly Controlled Entities BPLP <sup>(a)</sup>	\$16,797	\$15,491	\$24,906	\$10,218
<b>Other</b>				
Jointly Controlled Entities - JV Inkai LLP (interest income) <sup>(a)</sup>	509	636	98,179	102,576
Associates (interest expense)	(397)	(526)	(64,895)	(76,877)

(a) Disclosures in respect of transactions with jointly controlled entities represent the amount of such transactions which do not eliminate on proportionate consolidation.

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 advances of the loan facility is currently \$263,300,000 (US) and bear interest at a rate of LIBOR plus 2%. At March 31, 2012, \$245,700,000 (US) of principal and interest was outstanding (December 31, 2011 - \$191,900,000 (US)). At March 31, 2012 the remaining funds available for advance under the facility was \$17,600,000 (US) (December 31, 2011 - \$14,200,000 (US)).

In 2008, a promissory note in the amount of \$73,344,000 (US) was issued to finance the acquisition of GE-Hitachi Global Laser Enrichment LLC (GLE). The promissory note is payable on demand and bears interest at market rates. At March 31, 2012, \$65,000,000 (US) of principal and interest was outstanding (December 31, 2011 - \$72,200,000 (US)).

### 17. Millennium Project Agreement

On March 2, 2012, Cameco entered into an agreement with AREVA Resources Canada Inc. (AREVA) to purchase AREVA's 27.94% interest in the Millennium project for \$150,000,000. The Millennium project is a proposed uranium mine located in the Athabasca Basin of northern Saskatchewan. The sale to Cameco of the full amount of AREVA's interest is subject to JCU (Canada) Exploration Co.'s (JCU) rights of refusal. If JCU does not exercise its rights, Cameco will acquire the 27.94% interest from AREVA, increasing its ownership interest in the Millennium project to 69.9%. If JCU elects to exercise its rights, it will acquire an additional 11.67% interest and Cameco will acquire an additional 16.27% interest, resulting in Cameco owning 58.23% in the Millennium project. Our ownership interest is dependent on JCU either exercising or waiving its rights under the Cree Extension Joint Venture Agreement. We expect the transaction to close no later than June 6, 2012.

### 18. Comparative Figures

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