



Management's discussion and analysis

for the quarter ended March 31, 2013

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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, 2013 (interim financial statements). The information is based on what we knew as of April 30, 2013 and updates the annual MD&A included in our 2012 annual financial review.

As you review this 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, 2012 and annual MD&A. You can find more information about Cameco, including our audited consolidated financial statements and our most recent annual information form, on our website at cameco.com, on SEDAR at sedar.com or on EDGAR at sec.gov. You should also read our annual information form before making an investment decision about our securities.

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.

Throughout this document, the terms *we*, *us*, *our* and *Cameco* mean Cameco Corporation and its subsidiaries, including NUKEM Energy GmbH (NUKEM), unless otherwise indicated.

Caution about forward-looking information

Our MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans, 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, believe, estimate, expect, plan, will, intend, goal, target, forecast, project, strategy and outlook (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed on page 3, which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business. We list a number of these material risks on pages 2 and 3. We recommend you also review our annual information form and our annual MD&A, which include a discussion of other material risks that could cause actual results to differ significantly from our current expectations.
- Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward-looking information in this MD&A

- the discussion under the heading *Our strategy*, including our strategy for increasing annual uranium supply to 36 million pounds by 2018
- our expectations about 2013 and future global uranium supply, consumption, demand, and nuclear generating capacity, including the discussion under the heading *Uranium market update*
- our expectation that existing cash balances and operating cash flows will meet anticipated 2013 capital requirements without the need for any significant additional funding
- the outlook for each of our operating segments for 2013, and our consolidated outlook for the year
- our expectation that we will continue to invest in expanding our production capacity at our existing mines and advancing projects as we pursue our growth strategy
- our expectation that our operating and investment activities in 2013 will not be constrained by the financial covenants in our unsecured revolving credit facility
- our uranium price sensitivity analysis
- our expectations about changes to Saskatchewan uranium royalty systems
- our expectations relating to our tax dispute with Canada Revenue Agency (CRA) and future tax reassessments by CRA
- forecast production at our uranium operations from 2013 to 2017
- our future plans for each of our uranium operating properties and development project
- 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, or we are unsuccessful in our dispute with the CRA
- our production costs are higher than planned, or necessary supplies are not available, or not available on commercially reasonable terms
- our estimates of production, purchases, costs, decommissioning or reclamation expenses, or our tax expense estimates, prove to be inaccurate
- we are unable to enforce our legal rights under our existing agreements, permits or licences, or are subject to litigation or arbitration that has an adverse outcome
- there are defects in, or challenges to, title to our properties
- our mineral reserve and resource estimates are 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, social or political activism, 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 fulfill 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
- our McArthur River development, mining or production plans are delayed or do not succeed
- 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

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 more adversely affected than expected by changes in regulation or in the public perception of the safety of nuclear power plants
- our expected production level and production costs
- the assumptions regarding market conditions upon which we have based our capital expenditure expectations
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed on page 18, *Price sensitivity analysis: uranium*
- our expectations regarding tax rates and payments, the outcome of the dispute with the CRA, 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
- the success of our Cigar Lake development, mining and production plans, including the success of the jet boring mining method at Cigar Lake and that we will be able to obtain the additional jet boring systems we require on schedule

critical to production, equipment failure, lack of tailings capacity, labour shortages, labour relations issues (including an inability to renew agreements with unionized employees at McArthur River, Key Lake or the Port Hope conversion facility), strikes or lockouts, underground floods, cave ins, ground movements, tailings dam failures, transportation disruptions or accidents, or other development and operating risks

- NUKEM's actual uranium sales volume, cash flows and revenue in 2013 and in the future are lower than expected due to losses in connection with spot market purchases, counterparty default on payment or other obligations, counterparty insolvency or other risks
- departure of key personnel at NUKEM could have an adverse effect on continuing operations

- the success of our McArthur River development, mining and production plans
- 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 (including an inability to renew agreements with unionized employees at McArthur River, Key Lake or the Port Hope conversion facility), 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
- NUKEM's actual uranium sales volume, cash flows and revenue in 2013 and in the future will be consistent with our expectations
- key personnel will remain with NUKEM

Our strategy

Over the last several years, we have expanded in anticipation of significant growth in the nuclear space. Since the 2011 events in Japan, we have experienced a marked slowdown in our industry and drop in the uranium price – all against a backdrop of greater global economic uncertainty. While the long-term outlook remains positive, we expect uncertainty to continue over the near to medium term.

To ensure we remain competitive and optimize our earnings through this challenging economic period, we intensified the review of our cost structure during the first quarter.

This detailed review led us to some restructuring decisions, which resulted in a reduction in the workforce and created some restructuring costs. Our goal is to make the company a more efficient, streamlined and standardized organization – prepared to weather the current uncertainty in the market, increase our focus on execution, and be ready for the sustained long-term growth we expect.

We are still planning for growth, but at a slower pace. Our strategy is to increase annual uranium supply to 36 million pounds by 2018, subject to market conditions, and to invest in opportunities across the nuclear fuel cycle that we expect will complement and enhance our business. Lead-times in our industry are long, so we are preparing our assets today to make sure we can be among the first to respond when the market signals new production is needed.

We plan to achieve our growth with a focus on enhancing our nearer term financial picture by spreading our capital spending over a longer period and decreasing project related expenses. The projects we are pursuing to contribute to our target of 36 million pounds of annual supply by 2018 are those that provide the most certainty in the near-term, and are primarily brownfield development and expansions at operating properties, as well as our Cigar Lake development project.

Of course, all of our project decisions will depend upon market conditions and profitability. We continue to monitor the market closely, and will adjust our plans in response to market signals.

You can read more about our strategy in our 2012 annual MD&A.

First quarter update

Starting this quarter, *IFRS 11 – Joint Arrangements* requires that we account for our interest in Bruce Power Limited Partnership (BPLP) using equity accounting. Our quarterly results for 2012 have been restated for comparative purposes.

Our performance

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED MARCH 31		
	2013	2012	CHANGE
Revenue	444	466	(5)%
Gross Profit	95	150	(37)%
Net earnings attributable to equity holders	9	129	(93)%
\$ per common share (diluted)	0.02	0.33	(94)%
Adjusted net earnings (non-IFRS, see page 8)	27	121	(78)%
\$ per common share (adjusted and diluted)	0.07	0.31	(77)%
Cash provided by operations (after working capital changes)	269	374	(28)%

FIRST QUARTER

Net earnings attributable to equity holders (net earnings) this quarter were \$9 million (\$0.02 per share diluted) compared to \$129 million (\$0.33 per share diluted) in the first quarter of 2012. In addition to the items noted below, net earnings were impacted by mark-to-market losses on foreign exchange derivatives.

On an adjusted basis, our earnings this quarter were \$27 million (\$0.07 per share diluted) compared to \$121 million (\$0.31 per share diluted) (non-IFRS measure, see page 8) in the first quarter of 2012, mainly due to:

- lower earnings from our uranium segment based on lower sales volumes and lower realized prices
- lower earnings from our electricity segment based on lower generation and higher operating costs
- higher expenditures for administration due to the addition of NUKEM's administration and advisory fee, and costs for corporate restructuring as described in *Our strategy* on page 4.

See *Financial results by segment* on page 8 for more detailed discussion.

Operations update

HIGHLIGHTS		THREE MONTHS ENDED MARCH 31		
		2013	2012	CHANGE
Uranium	Production volume (million lbs)	5.9	4.8	23%
	Sales volume (million lbs)	5.1	8.2	(38)%
	Average realized price (\$US/lb)	48.42	48.69	(1)%
	(\$Cdn/lb)	48.25	49.32	(2)%
	Revenue (\$ millions)	247	406	(39)%
	Gross profit (\$ millions)	84	143	(41)%
Fuel services	Production volume (million kgU)	4.7	4.5	4%
	Sales volume (million kgU)	3.4	2.9	17%
	Average realized price (\$Cdn/kgU)	19.60	20.57	(5)%
	Revenue (\$ millions)	66	60	10%
	Gross profit (\$ millions)	11	11	-
NUKEM¹	Sales volume U ₃ O ₈ (million lbs)	2.3	-	-
	Sales volume UF ₆ (million KgU)	0.3	-	-
	Average realized price uranium (\$Cdn/lb)	43.64	-	-
	Average realized price fuel services products (\$Cdn/kgU)	12.24	-	-
	Revenue (\$ millions)	131	-	-
	Gross profit (\$ millions)	4	-	-
Electricity	Output (100%) (TWh)	5.5	6.0	(8)%
	Average realized price (\$Cdn/MWh)	53.00	55.00	(4)%
	Revenue (100%)	288	334	(14)%
	Our share of earnings (loss) before taxes (\$ millions)	(1)	24	(104)%

¹ See *NUKEM* on page 21 for details of the purchase price allocation.

Production in our uranium segment this quarter was 23% higher compared to the first quarter of 2012, mainly due to higher production at McArthur River/Key Lake and Inkai. See *Uranium 2013 Q1 updates* starting on page 26 for more information.

Key highlights:

- We continued to make progress towards first production at Cigar Lake. See page 27 for more information.
- We completed the acquisition of NUKEM. See *NUKEM* on page 21 for more information.
- The government of Saskatchewan announced changes to the provincial royalty system to encourage continued investment in Saskatchewan's uranium mining industry. See *Royalties* on page 19 for more information.
- The Canadian government announced the signing of the final agreement required to implement the *Canada-India Nuclear Cooperation Agreement*, which, once brought into force, will allow us to export Canadian-origin uranium to India.

Production in our fuel services segment was 4% higher this quarter than in the first quarter of 2012. We increased our annual production target in 2013, which is anticipated to result in higher quarterly production over comparable periods in 2012.

As expected in our electricity segment, BPLP's generation was 8% lower for the quarter compared to the same period last year due to an increase in the number of outage days. The capacity factor this quarter was 78% compared to 85% in the first quarter of 2012.

Uranium market update

Since the previous quarter, the uranium market has seen little change. Near to medium-term uncertainty continues to impede a recovery, with neither buyers nor suppliers seeming to feel much pressure to contract. Most suppliers have significant commitments out to 2016, and utilities are well covered for a similar period. As a result, over this quarter, volumes contracted have remained low, and uranium prices have been relatively stable.

As we have noted in previous quarters, we believe the market will remain in this 'wait-and-see' mode until catalyzed by events such as reactor restarts in Japan and a significant return to long-term contracting by utilities. We expect to see both of these catalysts realized, though the timing remains unclear. In our view, utilities are beginning to move into the window of time during which they would normally begin contracting for requirements in 2016, and, as the regulatory process is worked through in Japan, we believe reactors will be restarted in 2013. The process began in January, when the Nuclear Regulatory Authority (NRA) issued draft safety guidelines outlining the proposed requirements for restart. The guidelines have now been released for public comment, with the final guidelines expected in July. We are in frequent contact with our Japanese utility customers and understand that they are investing significantly to prepare their nuclear assets to meet the requirements for restart.

While we watch to see how the near term will evolve, we believe the long-term picture for nuclear continues to be strong. Our current estimates project nuclear generating capacity will reach about 510 gigawatts by 2022 from today's 392 gigawatts, which represents average annual growth of 3%. Of this expected growth, approximately 65 new reactors (65 gigawatts of generating capacity) are under construction today. Much of this growth is coming from India and China, which together plan to bring eight new reactors online this year. Canada recently finalized the details of the Nuclear Cooperation Agreements with both countries, enabling Canada, and Cameco, to take part in the opportunity these countries represent to the nuclear industry by allowing deliveries of Canadian material.

The other side of the equation is supply, which faces challenges both from primary and secondary sources. Secondary sources, which have historically kept supply in balance with demand, continue to diminish, particularly with the end of the Russian Highly Enriched Uranium commercial agreement this year. The end of this agreement will remove more pounds from the market than our total annual production, and there is no secondary source of similar scale expected. But future primary supply is also starting to suffer as a number of projects were cancelled or deferred in 2012 while the uranium spot price remained at a level well below that required to incentivize new projects. This primary supply uncertainty comes at a time when demand growth is on the horizon. However, the reduction in future primary supply does not directly impact the near-term market and there are indications that some supply projects, primarily driven by sovereign interests, may proceed despite market conditions.

Despite the current challenging industry environment, we are well positioned to continue to succeed. We have advantages like extensive mineral reserves and resources, low cost operations, a strong sales contract portfolio, experienced employees and a growth strategy that will allow us to remain competitive in challenging environments, while maintaining the ability to respond quickly with additional production when the market signals that more supply is required.

Caution about forward-looking information relating to our uranium market update

This discussion of our expectations for the nuclear industry, including its growth profile and future global uranium supply and demand and nuclear generating capacity, is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading *Caution about forward-looking information* beginning on page 2.

Industry Prices

	MAR 31 2013	DEC 31 2012	MAR 31 2012	DEC 31 2011
Uranium (\$US/lb U ₃ O ₈) ¹				
Average spot market price	42.25	43.38	51.05	51.88
Average long-term price	56.50	56.50	60.00	62.00
Fuel services (\$US/kgU as UF ₆) ¹				
Average spot market price				
North America	10.50	10.50	6.63	8.00
Europe	11.00	11.00	7.00	8.25
Average long-term price				
North America	16.75	16.75	16.75	16.75
Europe	17.25	17.25	17.25	17.25
Note: the industry does not publish UO ₂ prices.				
Electricity (\$/MWh)				
Average Ontario electricity spot price	29.00	23.00	20.00	32.00

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

On the spot market, where purchases call for delivery within one year, the volume reported for the first quarter of 2013 was just over 12 million pounds. This compares to almost 11 million pounds in the first quarter of 2012.

At the end of the quarter, the average spot price was \$42.25 (US) per pound. On April 29, 2013, Ux reported a spot price of \$40.50 (US) per pound.

The long-term uranium price held relatively firm 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 and long-term UF₆ conversion prices also held firm during the quarter.

SHARES AND STOCK OPTIONS OUTSTANDING

At April 29, 2013, we had:

- 395,397,017 common shares and one Class B share outstanding
- 10,428,357 stock options outstanding, with exercise prices ranging from \$15.79 to \$54.38

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, financial condition and outlook for the future.

Consolidated financial results

Starting this quarter, *IFRS 11 – Joint Arrangements* requires that we account for our interest in BPLP using equity accounting. Our quarterly results for 2012 have been restated for comparative purposes. See *New Standards and Interpretations* on page 29 for more information.

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED MARCH 31		CHANGE
	2013	2012	
Revenue	444	466	(5)%
Gross profit	95	150	(37)%
Net earnings attributable to equity holders	9	129	(93)%
\$ per common share (basic)	0.02	0.33	(94)%
\$ per common share (diluted)	0.02	0.33	(94)%
Adjusted net earnings (non-IFRS, see page 8)	27	121	(78)%
\$ per common share (adjusted and diluted)	0.07	0.31	(77)%
Cash provided by operations (after working capital changes)	269	374	(28)%

Net earnings

In the first quarter of 2013, our net earnings were \$9 million (\$0.02 per share diluted), a decrease of \$120 million compared to \$129 million (\$0.33 per share diluted) in 2012. In addition to the items noted below, net earnings were impacted by mark-to-market losses on foreign exchange derivatives.

On an adjusted basis, our earnings this quarter were \$27 million (\$0.07 per share diluted) compared to \$121 million (\$0.31 per share diluted) (non-IFRS measure, see page 8) in the first quarter of 2012. This decline was largely the result of:

- lower earnings from our uranium business based on decreased sales volumes as a result of uranium deliveries being heavily weighted to the second half of the year, and lower realized prices (due mainly to a lower spot price compared to the first quarter of 2012)
- lower earnings in the electricity business as a result of lower generation and higher operating costs

In addition to these factors, which were expected and described in our *Outlook for 2013* in our annual MD&A, we incurred higher expenditures for administration due to the addition of NUKEM's administration and advisory fee, and costs for corporate restructuring as described in *Our strategy* on page 4.

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, and has been adjusted for impairment charges on non-producing properties.

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	
	2013	2012
Net earnings attributable to equity holders	9	129
Adjustments		
Adjustments on derivatives ¹ (pre-tax)	25	(11)
Income taxes on adjustments to derivatives	(7)	3
Adjusted net earnings	27	121

¹ In 2008, we opted to discontinue hedge accounting for our portfolio of foreign currency forward sales contracts. Since then, we have adjusted our gains or losses on derivatives 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.

(\$ MILLIONS)		THREE MONTHS ENDED MARCH 31
Adjusted net earnings – 2012		121
Change in gross profit by segment (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	Lower sales volume	(54)
	Lower realized prices (\$US)	(1)
	Foreign exchange impact on realized prices	(4)
	Hedging benefits	(8)
	change – uranium	(67)
Fuel services	Higher sales volume	2
	Lower realized prices (\$Cdn)	(3)
	Lower costs	1
	Hedging benefits	(1)
	change – fuel services	(1)
NUKEM (new)	Gross profits	4
	change – NUKEM	4
Other changes	Lower earnings from equity investment in BPLP	(25)
	Higher administration expenditures	(17)
	Lower exploration expenditures	3
	Lower income taxes	10
	Other	(1)
Adjusted net earnings – 2013		27

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

Quarterly trends

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2013				2012			2011
	Q1	Q4	Q3	Q2	Q1	Q4 ¹	Q3 ¹	Q2 ¹
Revenue	444	846	296	283	466	971	527	425
Net earnings attributable to equity holders	9	41	79	4	129	265	39	55
\$ per common share (basic)	0.02	0.10	0.20	0.01	0.33	0.67	0.10	0.14
\$ per common share (diluted)	0.02	0.10	0.20	0.01	0.33	0.67	0.10	0.14
Adjusted net earnings (non-IFRS, see page 8)	27	233	49	31	121	249	104	72
\$ per common share (adjusted and diluted)	0.07	0.59	0.12	0.08	0.31	0.63	0.26	0.18
Cash provided by operations (after working capital changes)	269	286	36	(117)	374	258	192	23

¹ IFRS 11 – Joint Arrangements requires that we account for our interest in BPLP using equity accounting. Our quarterly results prior to the first quarter of 2012 have not been restated and account for our interest in BPLP using proportionate consolidation.

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

(\$ MILLIONS)	2013				2012		2011	
	Q1	Q4	Q3	Q2	Q1	Q4 ²	Q3 ²	Q2 ²
Net earnings attributable to equity holders	9	41	79	4	129	265	39	55
Adjustments								
Adjustments on derivatives ¹ (pre-tax)	25	33	(40)	36	(11)	(22)	88	22
Income taxes on adjustments to derivatives	(7)	(9)	10	(9)	3	6	(23)	(5)
Impairment charge on non-producing property	-	168	-	-	-	-	-	-
Adjusted net earnings (non-IFRS, see page 8)	27	233	49	31	121	249	104	72

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

² IFRS 11 – Joint Arrangements requires that we account for our interest in BPLP using equity accounting. Our quarterly results prior to the first quarter of 2012 have not been restated and account for our interest in BPLP using proportionate consolidation.

Key things to note:

- Our financial results are strongly influenced by the performance of our uranium segment, which accounted for 56% of consolidated revenues in the first quarter of 2013.
- 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 (see page 8 for more information).
- 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		
	2013	2012	CHANGE
Direct administration	44	35	26%
Restructuring charges	3	-	-
Stock-based compensation	9	4	125%
Total administration	56	39	44%

Direct administration costs were \$9 million higher for the first quarter compared to the same period last year. The increase primarily reflects the addition of NUKEM's administration (\$4 million) and advisory fee (\$3 million). In 2013 we have also recognized certain costs for restructuring. See *Our Strategy* on page 4.

Stock based compensation was \$5 million higher than in 2012 due to the timing of awarding options. In 2012, options were issued in May due to a trading blackout, compared to being issued in March in 2013.

EXPLORATION

In the first quarter, uranium exploration expenses were \$20 million, a decrease of \$3 million compared to the first quarter of 2012 as a result of decreased activity at our Kintyre property in Australia. Our exploration efforts in 2013 are focused on Canada, Australia, Kazakhstan and the United States.

INCOME TAXES

We recorded an income tax recovery of \$28 million in first quarter of 2013 compared to a recovery of \$9 million in the first quarter of 2012. The change in the net recovery was in part due to a decline in pre-tax earnings in 2013. The distribution of earnings between jurisdictions was also different compared to 2012. In 2013, we recorded losses of \$128 million in Canada compared to \$82 million in 2012, whereas earnings in foreign jurisdictions declined to \$109 million from \$202 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 \$21 million this quarter compared to a recovery of \$11 million in the first quarter of 2012 due to lower pre-tax adjusted earnings.

(\$ MILLIONS)	THREE MONTHS ENDED MARCH 31	
	2013	2012
Pre-tax Adjusted Earnings¹		
Canada ²	(104)	(93)
Foreign	109	202
Total pre-tax adjusted earnings	5	109
Adjusted Income Taxes¹		
Canada ²	(26)	(20)
Foreign	5	9
Adjusted income tax expense (recovery)	(21)	(11)
Effective tax rate	(394)%	(11)%

¹ Pre-tax adjusted earnings and adjusted income taxes are non-IFRS measures.

² Our IFRS-based measures have been adjusted by the amounts reflected in the table in adjusted net earnings (*non-IFRS measure* on page 8).

CRA DISCLOSURE

Since 2008, the Canada Revenue Agency (CRA) has disputed the offshore marketing company structure and related transfer pricing methodology we used for certain intercompany uranium sale and purchase agreements, and issued notices of reassessment for our 2003 through 2007 tax returns. We believe the ultimate resolution of this matter will not be material to our financial position, results of operations and cash flows in the year(s) of resolution.

There have been no fact changes in this case since we first disclosed it in 2008. However, in 2013, we were required to report separately the cash payment to CRA of approximately \$27 million for taxes, interest and instalment penalties. Until 2013, we had not been required to make any significant cash tax payments due to the availability of elective deductions and tax loss carryovers. However, we were required to make small cash payments for interest and instalment penalties, which totaled about \$13 million. These amounts were not reported separately as they were not material in any given year. Transfer pricing is a complex area of tax law, and it is difficult to predict the outcome of a case like ours as there are only a handful of reported court decisions on transfer pricing in Canada. However, tax authorities generally test two things:

- the governance (structure)
- the price

As the majority of our customers are located outside Canada, we established an offshore marketing subsidiary. For this subsidiary to be able to enter into sales agreements, it must be backed up by a supply of uranium, which is made possible by our intercompany purchase and sales agreements as well as uranium supply agreements with third parties. We have arm's-length transfer price arrangements in place, which expose both parties to the risks and the rewards accruing to it under this portfolio of purchase and sales contracts.

With respect to the contract prices, they are generally comparable to those established in sales contracts between arm's-length buyers and sellers at the time. Based on an analysis of our contract portfolio and other contracts entered into at the time, we have recorded a cumulative tax provision of \$65 million, where an argument could be made that our transfer price may have fallen outside of an appropriate range of pricing in uranium contracts for the period from 2003 to March 31, 2013.

We are confident that we will be successful in our case; however, the Canadian Income Tax Act includes provisions that require certain companies to pay 50% of the cash tax plus related interest and instalment penalties at the time of reassessment. For the years 2003 through 2007, the CRA issued notices of reassessment for approximately \$1.3 billion of additional income for Canadian tax purposes, which would result in a related tax expense of about \$380 million. Once elective deductions and tax loss carryovers were applied to the amounts reassessed in 2012, as well as interest and instalment penalties, the resulting amount payable was approximately \$54 million, 50% of which, or \$27 million, we remitted in 2013. Adding the \$13 million remitted in previous years brings the total cash paid to CRA to \$40 million. No transfer pricing penalties have been assessed.

Using the methodology we believe the CRA will continue to apply, and including the \$1.3 billion already reassessed, we expect to receive notices of reassessment for a total of approximately \$4.9 billion in income as taxable in Canada for the years 2003 through 2012, which would result in a related tax expense of approximately \$1.4 billion. Cash taxes payable would be between \$800 million and \$850 million. In addition, we estimate there would be interest and instalment penalties applied that would be material to Cameco. We would be responsible for remitting 50% of the cash taxes, or between \$400 million and \$425 million, plus related interest and instalment penalties assessed, which would be material to Cameco.

Under the Canadian Tax Act, the amount required to be remitted each year will depend on the amount of income reassessed in that year and the availability of elective deductions and tax loss carryovers; however, we expect it will generally follow the schedule in the table below.

MARCH 31, 2013 (\$ MILLIONS)	2003 - 2013	2014 - 2016	2017 - 2023	TOTAL
50% of cash taxes payable in the period ¹	18	50 – 75	325 - 350	400 - 425

¹ These amounts do not include interest and instalment penalties, which totaled approximately \$22 million to March 31, 2013.

In light of our view of the likely outcome of the case as described above, we expect to recover the amounts remitted to CRA, including the \$40 million already paid.

The case on the 2003 reassessment is expected to go to trial in the fall of 2014. If this timing is adhered to, we expect to have a Tax Court decision in 2015.

Caution about forward-looking information relating to our CRA tax dispute

This discussion of our expectations relating to our tax dispute with CRA and future tax reassessments by CRA, including the amounts of future additional taxable income, additional tax expense, cash taxes payable and interest and possible penalties thereon and related remittances, and timing of a Tax Court decision, is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading *Caution about forward-looking information* beginning on page 2 and also on the more specific assumptions and risks listed below. Actual outcomes may vary significantly.

Assumptions

- the CRA will reassess us for the years 2008 through 2012 using a similar methodology as for the years 2003 through 2007, with the time lag for the reassessments for each year being similar to what has occurred to date
- we will be able to apply elective deductions and tax loss carryovers to the extent anticipated
- the CRA will not seek to impose transfer pricing penalties in addition to interest charges and instalment penalties
- we will be substantially successful in our dispute with the CRA and the cumulative tax provision of \$65 million to date will be adequate to satisfy any tax liability resulting from the outcome of the dispute to date.

Material risks that could cause actual results to differ materially

- the CRA reassesses us for years 2008 through 2012 using a different methodology than for years 2003 through 2007, or we are unable to utilize elective deductions and loss carryovers to the same extent as anticipated, resulting in the required cash payments to CRA pending the outcome of the dispute being higher than expected
- the time lag for the reassessments for each year is different than for those to date
- the CRA may seek to impose transfer pricing penalties
- we are unsuccessful and the outcome of our dispute with CRA results in significantly higher cash taxes, interest charges and penalties than the amount of our cumulative tax provision, which could have a material adverse effect on our liquidity, financial position, results of operations and cash flows
- cash tax payable increases due to unanticipated adjustments by CRA not related to transfer pricing

FOREIGN EXCHANGE

At March 31, 2013:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$1.02 (Cdn), up from \$1.00 (US) for \$0.99 (Cdn) at December 31, 2012. The exchange rate averaged \$1.00 (US) for \$1.01 (Cdn) over the quarter.
- We had foreign currency contracts of \$1.3 billion (US) and €142 million at March 31, 2013. The mark-to-market loss on all foreign exchange contracts was \$17 million compared to a \$15 million gain at December 31, 2012. The average exchange rate for USD currency contracts was \$1.00 (US) for \$1.01 (Cdn) and €1.00 (EUR) for \$1.30 (US) for EUR currency contracts.

Outlook for 2013

Our outlook for 2013 reflects the growth expenditures necessary to help us achieve our strategy. Our consolidated outlook for revenue and direct administration costs have increased due to the inclusion of NUKEM. Our outlook for sales volumes from our fuel services segment has also changed and we explain the change below. 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.

2013 FINANCIAL OUTLOOK

NUKEM is included in the consolidated amounts and our outlook for the NUKEM segment has been added to the table below. BPLP is not included in consolidated amounts due to a change in accounting. See *Consolidated financial results* on page 8 for details.

	CONSOLIDATED	URANIUM	FUEL SERVICES	NUKEM	ELECTRICITY
Production	-	23.3 million lbs	15 to 16 million kgU	-	-
Sales volume	-	31 to 33 million lbs	Increase 5% to 10%	9 to 11 million lbs U₃O₈, 0.5 million SWU	-
Capacity factor	-	-	-	-	88%
Revenue compared to 2012	Increase 25% to 30%	Increase 0% to 5% ¹	Increase 5% to 10%	\$500 to \$600 million	Decrease 5% to 10%
NUKEM Operating cash flows	-	-	-	\$100 to \$125 million	-
NUKEM gross profit	-	-	-	3% to 5%	-
Average unit cost of sales (including D&A)	-	Increase 0% to 5% ²	Decrease 0% to 5%	-	Increase 25% to 30%
Direct administration costs compared to 2012 ³	Increase 0% to 5%	-	-	\$10 to 12 million	-
Exploration costs compared to 2012	-	Decrease 5% to 10%	-	-	-
Tax rate	Recovery of 15% to 20%	-	-	Expense of 30% to 35%	-
Capital expenditures	\$655 million ⁴	-	-	-	\$93 million (our share)

¹ Based on a uranium spot price of \$40.50 (US) per pound (the Ux spot price as of April 29, 2013), a long-term price indicator of \$57.00 (US) per pound (the Ux long-term indicator on April 29, 2013) and an exchange rate of \$1.00 (US) for \$1.00 (Cdn).

² 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 2013 then we expect the overall unit cost of product sold to increase further.

³ Direct administration costs do not include stock-based compensation expenses. See page 10 for more information.

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

We now expect an increase of 5% to 10% for sales volumes in our fuel services segment (previously an increase of up to 5%), due to increased fuel services production (15 to 16 million KgU compared to 13 to 14 million KgU in 2012) and increased sales commitments in 2013.

In our uranium and fuel services segments, our customers choose when in the year to receive deliveries, so our quarterly delivery patterns, sales volumes and revenue, can vary significantly. We expect our uranium deliveries for the second quarter will be greater than the first quarter. Uranium sales for the balance of 2013 are expected to be more heavily weighted (about 60%) to the second half of the year. However, not all delivery notices have been received to date, which could alter the delivery pattern. Typically, we receive notices six months in advance of the requested delivery date.

SENSITIVITY ANALYSIS

For the rest of 2013:

- a change of \$5 (US) per pound in both the Ux spot price (\$40.50 (US) per pound on April 29, 2013) and the Ux long-term price indicator (\$57.00 (US) per pound on April 29, 2013) would change revenue by \$56 million and net earnings by \$30 million
- a change of \$5/MWh in the electricity spot price would change our 2013 net earnings by \$1 million based on the assumption that the spot price will remain below the floor price of \$52.34/MWh provided 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 \$9 million and adjusted net earnings by \$5 million, with a decrease in the value of the Canadian dollar versus the US dollar having a positive impact. This sensitivity is based on an exchange rate of \$1.00 (US) for \$1.00 (Cdn).

Liquidity and capital resources

Our financial objective is to make sure we have the cash and debt capacity to fund our operating activities, investments and growth. We expect our existing cash balances and operating cash flows will meet our anticipated 2013 capital requirements without the need for significant additional funding.

We have large, creditworthy customers that continue to need uranium even during weak economic conditions, and we expect the uranium contract portfolio we have built to provide a solid revenue stream for years to come.

We expect to continue investing in expanding our production capacity over the next several years. We have a number of alternatives to fund this continued growth including using our current cash balances, drawing on our existing credit facilities, entering new credit facilities, using our operating cash flow, and raising additional capital through debt or equity financings. We are always considering our financing options so that we can take advantage of favourable market conditions when they arise.

We have an ongoing dispute with CRA regarding our offshore marketing company structure and related transfer pricing arrangements. See page 11 for more information. Until this dispute is settled, we expect to make cash payments to CRA for 50% of the cash taxes payable and the related interest and installment penalties. We have provided an estimate of the amount and timing of the expected cash taxes payable in the table on page 11.

CASH FROM OPERATIONS

Cash from operations was \$105 million lower this quarter than in 2012, due largely to lower uranium deliveries. Working capital required \$52 million more in 2013, largely as a result of an increase in uranium inventories during the quarter. Not including working capital requirements, our operating cash flows this quarter were lower by \$53 million, based on lower profits in our uranium segment. See *Financial results by segment* on page 16 for details.

INVESTING ACTIVITIES

On January 9, 2013, the acquisition of NUKEM Energy GmbH was completed and we paid €107 million (\$140 million (US)) on closing.

DEBT

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totaling about \$2.1 billion at March 31, 2013, up \$0.2 billion as at December 31, 2012. The increase is due to the inclusion of NUKEM's undrawn credit facility of €100 million (\$128 million (US)), increases in letters of credit for our US operations, and changes in foreign exchange rates. At March 31, 2013, we had approximately \$730 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, 2013, we met these financial covenants and do not expect our operating and investment activities for the remainder of 2013 to be constrained by them.

LONG-TERM CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

- purchase commitments
- financial assurances

There have been no material changes to our long-term contractual obligations or financial assurances since December 31, 2012, including payments due for the next five years and thereafter. However, our purchase commitments have increased by \$1.4 billion (US) due to the inclusion of NUKEM commitments. Our long-term contractual obligations do not include our sales commitments. Please see our annual MD&A for more information.

The table below shows NUKEM's purchase commitments.

MARCH 31, 2013 (\$ MILLIONS)	2013	2014 AND 2015	2016 AND 2017	2018 AND BEYOND	TOTAL
NUKEM purchase commitments	449	409	315	235	1,408

BALANCE SHEET

(\$ MILLIONS)	MAR 31, 2013	DEC 31, 2012	CHANGE
Cash and short-term investments	577	799	(28)%
Total debt	1,353	1,360	(1)%
Inventory	742	564	32%

Total cash and short-term investments at March 31, 2013 were \$577 million, or 28% lower than at December 31, 2012 due to a higher rate of capital expenditures and completion of the acquisition of NUKEM Energy GmbH in January. Net debt March 31, 2013 was \$776 million.

Total debt decreased by \$7 million to \$1,353 million at March 31, 2013. Of this total, \$60 million was classified as current, down \$7 million compared to December 31, 2012. See notes 16 and 17 of our audited annual financial statements for more detail.

Total product inventories increased to \$742 million, including NUKEM's inventories (\$141 million). Uranium inventories increased as sales were lower than production and purchases in the first three months of the year.

Fuel services inventories increased as sales were also lower than production and purchases.

Financial results by segment

Uranium

HIGHLIGHTS	THREE MONTHS ENDED MARCH 31		CHANGE
	2013	2012	
Production volume (million lbs)	5.9	4.8	23%
Sales volume (million lbs)	5.1	8.2	(38)%
Average spot price (\$US/lb)	42.71	51.73	(17)%
Average long-term price (\$US/lb)	56.50	60.33	(6)%
Average realized price			
(\$US/lb)	48.42	48.69	(1)%
(\$Cdn/lb)	48.25	49.32	(2)%
Average unit cost of sales (\$Cdn/lb) (including D&A)	31.90	31.99	-
Revenue (\$ millions)	247	406	(39)%
Gross profit (\$ millions)	84	143	(41)%
Gross profit (%)	34	35	(3)%

FIRST QUARTER

Production volumes this quarter were 23% higher compared to the first quarter of 2012, due mainly to higher production at McArthur River/Key Lake and Inkai. See *Uranium 2013 Q1 updates* starting on page 26 for more information.

Uranium revenues were down 39% due to a 38% decrease in sales volumes and a 2% decrease in the Canadian dollar average realized price.

Our realized prices this quarter were lower than the first quarter of 2012, mainly due to lower US dollar prices under market related contracts. In the first quarter of 2013, the uranium spot price averaged \$42.71 (US), 17% lower than the \$51.73 (US) in the first quarter of 2012.

Total cost of sales (including D&A) decreased by 38% (\$163 million compared to \$263 million in 2012). This was mainly the result of a 38% decrease in sales volumes, and lower royalty charges due to the slightly lower realized price and reduced deliveries of Saskatchewan-produced material. In the first quarter of 2013, total royalty charges were \$14 million compared to \$33 million in the first quarter of 2012.

The net effect was a \$59 million decrease in gross profit for the quarter.

The table on the following page shows the costs of produced and purchased uranium incurred in the reporting periods (which are non-IFRS measures, see the paragraphs below the table). 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
	2013	2012	
Produced			
Cash cost	19.12	22.39	(15)%
Non-cash cost	8.44	7.51	12%
Total production cost	27.56	29.90	(8)%
Quantity produced (million lbs)	5.9	4.8	23%
Purchased			
Cash cost	33.44	34.64	(3)%
Quantity purchased (million lbs)	2.3	1.4	64%
Totals			
Produced and purchased costs	29.21	30.97	(6)%
Quantities produced and purchased (million lbs)	8.2	6.2	32%

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 following table presents a reconciliation of these measures to our unit cost of sales for the first quarters of 2013 and 2012.

CASH AND TOTAL COST PER POUND RECONCILIATION

(\$ MILLIONS)	THREE MONTHS ENDED MARCH 31		CHANGE
	2013	2012	
Cost of product sold	144.0	231.1	(38)%
Add / (subtract)			
Royalties	(14.4)	(33.4)	(57)%
Standby charges	(8.1)	(7.1)	14%
Other selling costs	2.8	(1.9)	(247)%
Change in inventories	65.4	(32.7)	(300)%
Cash operating costs (a)	189.7	156.0	22%
Add / (subtract)			
Depreciation and amortization	19.5	31.9	(39)%
Change in inventories	30.3	4.1	639%
Total operating costs (b)	239.5	192.0	25%
Uranium produced & purchased (millions lbs) (c)	8.2	6.2	32%
Cash costs per pound (a ÷ c)	23.14	25.16	(8)%
Total costs per pound (b ÷ c)	29.21	30.97	(6)%

PRICE SENSITIVITY ANALYSIS: URANIUM

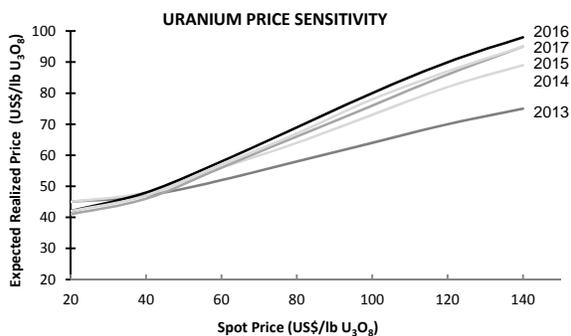
The table and graph below are *not* forecasts of prices we expect to receive. The prices we actually realize will be different from the prices shown in the table and graph. They are designed to indicate how the portfolio of long-term contracts we had in place in our uranium segment on March 31, 2013 would respond to different spot prices. In other words, we would realize these prices only if the contract portfolio remained the same as it was on March 31, 2013, and none of the assumptions we list below change.

We intend to update this table and graph 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 and graph to change from quarter to quarter.

EXPECTED REALIZED URANIUM PRICE SENSITIVITY UNDER VARIOUS SPOT PRICE ASSUMPTIONS

(rounded to the nearest \$1.00)

SPOT PRICES (\$US/LB U ₃ O ₈)	\$20	\$40	\$60	\$80	\$100	\$120	\$140
2013	45	47	52	58	64	70	75
2014	45	48	56	64	73	82	89
2015	41	46	56	66	76	86	95
2016	42	48	58	69	80	90	98
2017	42	47	57	67	78	87	95



The table and graph illustrate the mix of long-term contracts in our March 31, 2013 portfolio, and are consistent with our contracting strategy. Both have been updated to reflect deliveries made and contracts entered into up to March 31, 2013.

Our portfolio includes a mix of fixed-price and market-related contracts, which we target at a 40:60 ratio. Those that are fixed at lower prices or have low ceiling prices will yield prices that are lower than current market prices. In 2012, a number of older contracts expired 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)
- deliveries include our best estimate of quantities under requirements-based contracts
- we defer a portion of deliveries under existing contracts for 2013

Inflation

- is 2% per year

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 16% 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 and graph will be higher.

ROYALTIES

The government of Saskatchewan has recently approved changes to both the basic and tiered royalty systems for uranium as described below.

The basic royalty is equal to 5% of gross sales of Saskatchewan uranium (gross sales) and is reduced by the Saskatchewan resource credit (SRC), which, effective April 1, 2013, is equal to 0.75% of gross sales. Prior to the changes approved by the government on March 20, 2013, the SRC was equal to 1% of gross sales.

The government has also changed tiered royalties from a revenue-based system to a modified profit-based system retroactive to January 1, 2013. Under the new system, a 10% tiered royalty will be charged on profit up to \$22/kg U₃O₈ (\$9.98/lb) and a 15% tiered royalty will be charged on profit in excess of \$22/kg U₃O₈. Profit will be determined as gross sales less certain operating costs, exploration costs and actual capital costs. Costs will be deductible as incurred at the discretion of the producer, subject to transitional rules.

The overall structure is expected to be positive over the next 15 years, although the magnitude of the impact will not be known until the provincial regulations are finalized. The exact timing of this step will not impact the date the new tiered royalty system takes effect.

In addition, as a resource corporation in Saskatchewan, we pay a corporate resource surcharge equal to 3% of gross sales.

Fuel services

(includes results for UF₆, UO₂ and fuel fabrication)

HIGHLIGHTS	THREE MONTHS ENDED MARCH 31		CHANGE
	2013	2012	
Production volume (million kgU)	4.7	4.5	4%
Sales volume (million kgU)	3.4	2.9	17%
Average realized price (\$Cdn/kgU)	19.60	20.57	(5)%
Average unit cost of sales (\$Cdn/kgU) (including D&A)	16.27	16.65	(2)%
Revenue (\$ millions)	66	60	10%
Gross profit (\$ millions)	11	11	-
Gross profit (%)	17	18	(6)%

FIRST QUARTER

Total revenue increased by 10% due to a 17% increase in sales volumes, offset by a 5% decrease in realized price.

The total cost of products and services sold (including D&A) increased by 15% (\$55 million compared to \$48 million in the first quarter of 2012) due to the increase in sales volumes, offset by a decrease in the average unit cost of sales. When compared to 2012, the average unit cost of sales was 2% lower due to the mix of fuel services products sold.

The net effect was no change in gross profit.

NUKEM

(\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED MARCH 31		
	NUKEM	PURCHASE ACCOUNTING	CONSOLIDATED
Uranium sales (million lbs)	2.3	-	2.3
Conversion sales (million kgU)	0.3	-	0.3
Revenue	132	(1)	131
Cost of product sold (including D&A)	103	24	127
Gross profit	29	(25)	4
Net earnings	14	(17)	(3)
Adjustments on derivatives ¹	2	-	2
Adjusted net earnings ¹	16	(17)	(1)
Cash provided by operations	99	-	99

¹ Adjustments relate to unrealized gains and losses on foreign currency forward sales contracts (non-IFRS measure, see page 8).

On January 9, 2013, we completed the acquisition of NUKEM Energy GmbH (NUKEM) from Advent International (Advent) and other shareholders. NUKEM is one of the world's leading traders and brokers of nuclear fuel products and services.

NUKEM was acquired for cash consideration of €107 million (\$140 million (US)). We also assumed NUKEM's net debt which amounted to about €79 million (\$104 million (US)) on January 9, 2013. Acquisition related costs of \$4 million (2012) and an advisory fee of \$3 million (2013) have been expensed and included in administration expense in the consolidated statement of earnings. We received the economic benefits of owning NUKEM as of January 1, 2012; however, in accordance with accounting requirements, our financial reporting will reflect results from January 9, 2013 forward.

The purchase agreement also includes an earn-out provision that could provide Advent with a share of NUKEM's earnings under certain conditions for the years 2012 through 2014. The earn-out is based on NUKEM exceeding certain minimum threshold levels of earnings before interest, taxes, depreciation and amortization (EBITDA), as specified and defined in the purchase agreement. The EBITDA is derived from NUKEM's audited financial statements. For 2012, the earn-out amount was \$8 million (US) as EBITDA for the year exceeded the payout threshold of \$115 million (US). If payable, the next earn-out payment will be made in 2015.

For accounting purposes, the purchase price is allocated to the assets and liabilities acquired based on their fair values as of the acquisition date. The purchase price allocation is provided in the table on the next page. We believe that these values are representative of the transaction; however, it is possible that the final allocation will differ.

Much of the purchase price was related to nuclear fuel inventories and the portfolio of sales and purchase contracts acquired. The amounts attributed to inventory and contracts were based on market values as at the acquisition date. They will be charged to earnings in the period(s) in which related transactions occur. The amount categorized as goodwill reflects the value assigned to the expected future earnings capabilities of the organization. This is the earnings potential that we anticipate will be realized through new business arrangements. Goodwill is not amortized and is tested for impairment at least annually.

PURCHASE PRICE ALLOCATION

	\$US MILLIONS
Net assets	
Working capital	(22)
Inventory	165
Sales, purchase contracts and other intangibles	88
Goodwill	88
Debt	(117)
Deferred taxes	(54)
Net assets acquired	148
Financed by	
Cash	140
Additional consideration (earn-out provision)	8
Liabilities and equity	148

FIRST QUARTER

During the first three months of 2013, NUKEM delivered 2.3 million pounds of uranium and 0.3 million kgU of conversion services. On a consolidated basis, NUKEM contributed \$131 million in revenues, \$4 million in gross profit and an adjusted net loss (non-IFRS measure, see page 8) of \$1 million as administrative and financing charges more than offset gross profits in the quarter. NUKEM's contribution to our earnings is significantly impacted by our purchase price accounting. Excluding the impact of the purchase accounting, NUKEM's adjusted net earnings (non-IFRS measure, see page 8) were \$16 million for the quarter. NUKEM generated strong cash flows of \$99 million from its operating activities during the first quarter due largely to a drawdown of inventory and the collection of accounts receivable.

As noted above, much of the NUKEM purchase price was attributable to inventories and the portfolio of contracts. With respect to nuclear fuel inventories, amounts assigned were based on market values as of the date of acquisition. As these quantities are delivered to NUKEM's customers, we will adjust the cost of product sold to reflect the values at the acquisition date, regardless of NUKEM's historic costs.

As of the date of the purchase agreement, had NUKEM's sales and purchase contracts been settled, it would have realized significant financial benefit and as a result, we paid a premium to acquire the portfolio. Accordingly, a portion of the purchase price has been attributed to the various contracts. In our accounting for NUKEM, we will amortize the amounts assigned to the portfolio in the periods in which NUKEM transacts under the relevant contracts. The net effect is a reduction in reported profit margins relative to NUKEM's results. We expect the majority of the amount allocated to the contract portfolio will be amortized within two years.

Electricity

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

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED MARCH 31		
	2013	2012	CHANGE
Output - terawatt hours (TWh)	5.5	6.0	(8)%
Capacity factor (the amount of electricity the plants actually produced for sale as a percentage of the amount they were capable of producing)	78%	85%	(8)%
Realized price (\$/MWh)	53	55 ¹	(4)%
Average Ontario electricity spot price (\$/MWh)	29	20	45%
Revenue	288	334	(14)%
Operating costs (net of cost recoveries)	283	255	11%
Cash costs	229	201	14%
Non-cash costs	54	54	-
Income before interest and finance charges	5	79	(94)%
Interest and finance charges	6	-	-
Cash from operations	295	129	129%
Capital expenditures	70	39	79%
Distributions	100	30	233%
Capital calls	7	16	(56)%
Operating costs (\$/MWh)	51	42 ¹	21%

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

OUR EARNINGS (LOSS) FROM BPLP

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED MARCH 31		
	2013	2012	CHANGE
BPLP's earnings (loss) before taxes (100%)	(1)	79	(101)%
Cameco's share of pretax earnings before adjustments (31.6%)	-	25	-
Proprietary adjustments	(1)	(1)	-
Earnings (loss) before taxes from BPLP	(1)	24	(104)%

FIRST QUARTER

Total electricity revenue decreased 14% this quarter due to lower output and lower realized price. Realized prices reflect spot sales, revenue recognized under BPLP's agreement with the OPA, and financial contract revenue. BPLP recognized revenue of \$124 million this quarter under its agreement with the OPA, compared to \$185 million in the first quarter of 2012. The equivalent of about 77% of BPLP's output was sold under financial contracts this quarter, compared to 62% in the first quarter of 2012. From time to time, BPLP enters the market to lock in gains under these contracts. Gains on BPLP's contract activity in the first quarter of 2013 were lower than the same period in 2012.

The capacity factor was 78% this quarter, down from 85% in the first quarter of 2012. There were 70 planned and nine unplanned outage days in the quarter, compared to 46 planned and five unplanned outage days in the first quarter of 2012.

Operating costs were \$283 million compared to \$255 million in 2012 due to higher maintenance costs incurred primarily as a result of more planned outage days in the first quarter.

The result was a \$1 million loss before taxes in the first quarter of 2013 compared to \$79 million in earnings before taxes in the first quarter of 2012.

BPLP distributed \$100 million to the partners in the first quarter. Our share was \$32 million. BPLP capital calls to the partners in the first quarter were \$7 million. Our share was \$2 million. The partners have agreed that BPLP will distribute excess cash monthly, and will make separate cash calls for major capital projects.

FLOOR PRICE AGREEMENT EXTENSION

Bruce Power and the OPA reached an agreement to amend the Bruce Power Refurbishment Implementation Agreement to extend the floor price from the original Bruce B unit end of life dates between 2016 and 2019, to between 2019 and 2020. It does not change the price of the Bruce B floor.

Our operations and development project

Uranium – production overview

Production in our uranium segment this quarter was 1.1 million pounds higher compared to the first quarter of 2012. See *Uranium 2013 Q1 updates* starting on page 26 for more information.

URANIUM PRODUCTION

CAMECO'S SHARE (MILLION LBS)	THREE MONTHS ENDED MARCH 31		CHANGE
	2013	2012	
McArthur River/Key Lake	3.5	2.9	21%
Rabbit Lake	1.1	1.0	10%
Smith Ranch-Highland	0.3	0.2	50%
Crow Butte	0.2	0.2	-
Inkai	0.8	0.5	60%
Total	5.9	4.8	23%

Outlook

We have geographically diverse sources of production. Subject to market conditions, our plan is to focus primarily on advancing our brownfield projects and the process to extract uranium from the Talvivaara mine to achieve annual supply of 36 million pounds by 2018. We expect to purchase about 900,000 pounds of supply under our agreement with Talvivaara when all regulatory approvals are received, work on the extraction process is complete, and once they ramp up to full production. We expect production to start in the first half of 2014.

CAMECO'S SHARE OF PRODUCTION – ANNUAL FORECAST TO 2017

CURRENT FORECAST (MILLION LBS)	2013	2014	2015	2016	2017
McArthur River/Key Lake	13.2	13.1	13.1	13.1	13.1
Rabbit Lake	4.2	4.2	4.2	4.2	4.2
US ISR	2.6	2.9	2.9	3.0	3.0
Inkai ¹	2.9	2.9	2.9	2.9	2.9
Cigar Lake	0.3	1.8	5.5	7.9	8.2
Total share of production	23.2	24.9	28.6	31.1	31.4
Cameco's share of Inkai's production on which profits are generated²					
Inkai ¹	3.0	3.0	3.0	3.0	3.0
Total²	23.3	25.0	28.7	31.2	31.5

¹ In 2011, we signed a memorandum of agreement (2011 MOA) with Kazatomprom to increase annual production to 5.2 million pounds (100% basis). Under the 2011 MOA, we will have the right to purchase 2.9 million pounds of Inkai's annual production and receive profits on 3.0 million pounds.

² We have adjusted the production table to reflect the share of Inkai's production we will use to calculate our profits under the 2011 MOA, as described in the note above.

Our 2013 and future annual production targets for Inkai assume, and we expect, that 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.

There is no certainty Inkai will receive these permits or approvals. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2013 and future annual production targets and we may have to re-categorize some of Inkai's mineral reserves as resources.

This forecast is forward-looking information. It is based on the assumptions and subject to the material risks discussed on pages 2 and 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 (including an inability to renew agreements with unionized employees at McArthur River and Key Lake), 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 2013 Q1 updates

Operating properties

McArthur River/Key Lake

Production update

Production for the quarter was 21% higher compared to the same period last year due to the timing of the annual maintenance shutdown. The mill will be shut down for three weeks in May to complete planned work. We expect our share of production this year will be 13.2 million pounds U₃O₈.

Operations update

We are continuing to advance the underground exploration drifts to the southwest and northeast directions and will focus on developing zone 4 and areas at the south end of the underground mine workings.

We are continuing to advance work on the environmental assessment for the Key Lake extension project. We plan to submit the final environmental impact statement for review by the provincial and federal regulators and pursue the required regulatory approvals in 2013.

Rabbit Lake

Production update

Production remains on track for the year. To ensure the most efficient operation of the mill throughout the year, we continually manage ore supply and, therefore, experience large variations in mill production from quarter to quarter.

Smith Ranch-Highland and Crow Butte

Production update

At our US operations, production for the quarter was slightly higher than the first quarter of 2012.

Our ability to bring new wellfields into production in both Wyoming and Nebraska continues to be affected by the lengthened review process to obtain regulatory approvals. The operating environment is becoming more complex as public interest and regulatory oversight increase.

Operations update

At Smith Ranch-Highland, we are finishing construction of the satellite plant and the first wellfields at North Butte, with production expected to begin in the second quarter. North Butte is expected to contribute approximately 300,000 pounds in 2013 and rampup to a target annual production rate of more than 700,000 pounds per year by 2015.

Inkai

Production update

Production was 60% higher for the quarter compared to the same period last year. We have continued to bring on new wellfields to maintain a higher head grade in the wellfield production mix, which has resulted in the higher first quarter production. The higher head grade and other improvements to the extraction processes allow the Inkai operation to produce at its design capacity of 5.2 million pounds per year.

Development project

Cigar Lake

Production update

We continued to make solid progress at Cigar Lake in the first quarter and expect commissioning in ore in mid-2013, with the first packaged pounds in the fourth quarter.

Operations update

During the quarter, the first jet boring unit completed a successful test program in waste rock. The second jet boring unit is expected to be shipped to site and moved underground in the second quarter.

Installation of the underground and surface infrastructure required to begin commissioning in ore in mid-2013 is ongoing and progressing well.

Licensing

Cigar Lake's licence from the Canadian Nuclear Safety Commission (CNSC) expires at the end of 2013. The current licence allows for various mine construction activities as well as mining of ore for commissioning purposes. We made an application to the CNSC in 2012 to amend the current licence, ahead of its expiry date. The application included a request for a ten-year term. The CNSC held a public hearing on April 3, 2013. We expect a decision during the second quarter and anticipate that Cigar Lake will have the full operating licence in mid-2013.

Fuel services 2013 Q1 updates

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

Production update

Fuel services produced 4.7 million kgU in the first quarter, 4% higher than the same period last year. We increased our production target in 2013 to between 15 million and 16 million kgU, so quarterly production is anticipated to be higher than comparable periods in 2012.

Labour relations

The current collective agreements with unionized employees at the Port Hope conversion facility will expire on June 30, 2013. Bargaining began in April 2013. There is risk to production if we are unable to reach an agreement and a work stoppage occurs.

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

Inkai

- Alain G. Mainville, director, mineral resources management, Cameco

Cigar Lake

- Grant Goddard, vice-president, Saskatchewan mining north, 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 quarter, we paid PACL \$11 million for construction and contracting services (first quarter of 2012 – \$13 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

Because of the nature of our business, we are required to make estimates that affect the amount of assets and liabilities, revenues and expenses, commitments and contingencies we report.

We base our estimates on our experience, our best judgment, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and on assumptions we believe are reasonable.

Controls and procedures

As of March 31, 2013, 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, 2013, 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, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management has excluded NUKEM from its assessment of internal control over financial reporting as of March 31, 2013 because we acquired NUKEM during the first quarter of 2013. The total assets and total revenues of NUKEM represented approximately 7% and 29%, respectively, of our consolidated financial statement amounts as of and for the quarter ended March 31, 2013.

New standards and interpretations

The following new standards and amendments to existing standards were required to be applied for our accounting periods beginning on or after January 1, 2013, unless otherwise noted. These standards did not have a material impact on the financial statements.

- *IFRS 7 Financial Instruments: Disclosures*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*
- *IAS 1 Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012)

In addition, the following two accounting changes required a restatement of prior period results:

- *IFRS 11 Joint Arrangements* (IFRS 11) - Under IFRS 11, we classify our interests in joint arrangements as either joint operations or joint ventures depending on our rights to the assets and obligations for the liabilities of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. In accordance with IFRS 11, we have re-evaluated our involvement in joint arrangements at January 1, 2013 and as a result, we have changed our classification conclusion with respect to our investment in BPLP and have determined that our investment should be classified as a joint venture. Accordingly, we applied equity accounting to the investment commencing on January 1, 2013. Previously, the investee was accounted for as a jointly controlled entity using the proportionate consolidation method.
- Revised *IAS 19 Employee Benefits* (IAS 19R) - The revisions to IAS 19 have accelerated the recognition of past service costs and replaced interest cost and expected return on plan assets with a measure of net interest on the defined benefit asset or liability. In addition, IAS 19R has resulted in a change in the accounting for both plan administration costs and assets earning no return in refundable tax accounts. These revisions have resulted in adjustments to both our, and BPLP's defined benefit obligation balances. The adoption of this revised standard did not have a material impact on our financial statements.

Refer to our 2012 Annual MD&A for a description of each of the above accounting standards and amendments to existing standards.

A number of new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. Please refer to our 2012 annual MD&A for a brief description of each accounting pronouncement. We are assessing the impact of the following standards and amendments on our financial statements:

- *IFRS 9, Financial Instruments*
- *IAS 32, Financial Instruments: Presentation*



Cameco Corporation
2013 condensed consolidated interim financial statements
(unaudited)

April 30, 2013

Cameco Corporation
Consolidated statements of earnings

(Restated -
note 3)

(Unaudited)	Note	Three months ended	
(\$Cdn thousands, except per share amounts)		Mar 31/13	Mar 31/12
Revenue from products and services		\$443,905	\$465,632
Cost of products and services sold		296,492	274,994
Depreciation and amortization		52,365	40,401
Cost of sales		348,857	315,395
Gross profit		95,048	150,237
Administration		55,892	38,674
Exploration		20,183	23,018
Research and development		1,773	3,125
Gain on sale of assets		-	(3,062)
Earnings from operations		17,200	88,482
Finance costs	11	(14,144)	(18,969)
Gains (losses) on derivatives	15	(24,084)	22,541
Finance income		2,467	4,278
Earnings (loss) from BPLP	7	(1,492)	23,618
Share of earnings (loss) from equity-accounted investees		1,324	(739)
Other income (expense)		(1,025)	759
Earnings (loss) before income taxes		(19,754)	119,970
Income tax recovery	12	(28,118)	(8,562)
Net earnings		\$8,364	\$128,532
Net earnings (loss) attributable to:			
Equity holders		\$8,538	\$128,723
Non-controlling interest		(174)	(191)
Net earnings		\$8,364	\$128,532
Earnings per common share attributable to equity holders			
Basic	16	\$0.02	\$0.33
Diluted	16	\$0.02	\$0.33

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated statements of comprehensive income

(Restated -
note 3)

(Unaudited) (\$Cdn thousands)	Note	Three months ended	
		Mar 31/13	Mar 31/12
Net earnings		\$8,364	\$128,532
Other comprehensive income (loss), net of taxes	12		
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		34,317	(18,823)
Gains (losses) on derivatives designated as cash flow hedges - equity-accounted investees		(427)	7,063
Gains on derivatives designated as cash flow hedges transferred to net earnings - equity-accounted investees		(1,280)	(5,535)
Unrealized losses on available-for-sale assets		-	(274)
Gains on available-for-sale assets transferred to net earnings		-	(46)
Other comprehensive income (loss), net of taxes		32,610	(17,615)
Total comprehensive income		\$40,974	\$110,917
Other comprehensive income (loss) attributable to:			
Equity holders		\$32,602	\$(17,496)
Non-controlling interest		8	(119)
Other comprehensive income (loss) for the period		\$32,610	\$(17,615)
Total comprehensive income (loss) attributable to:			
Equity holders		\$41,140	\$111,227
Non-controlling interest		(166)	(310)
Total comprehensive income for the period		\$40,974	\$110,917

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated statements of financial position

(Unaudited) (\$Cdn thousands)	Note	(Restated - note 3) As at		(Restated - note 3) As at
		Mar 31/13	Dec 31/12	Jan 1/12
Assets				
Current assets				
Cash and cash equivalents		\$577,205	\$749,499	\$395,552
Short-term investments		-	49,535	804,141
Accounts receivable		200,070	404,040	516,663
Current tax assets		15,485	9,404	17,988
Inventories	5	741,811	563,578	493,875
Supplies and prepaid expenses		115,293	110,777	114,182
Current portion of long-term receivables, investments and other	6	10,065	22,807	14,088
Total current assets		1,659,929	1,909,640	2,356,489
Property, plant and equipment				
Goodwill and intangible assets	4	254,299	94,327	98,954
Long-term receivables, investments and other	6	239,622	211,358	188,718
Investments in equity-accounted investees		211,101	205,889	224,148
Deferred tax assets		227,395	193,916	82,223
Total non-current assets		5,944,775	5,521,414	4,500,472
Total assets		\$7,604,704	\$7,431,054	\$6,856,961
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		\$401,244	\$387,653	\$355,634
Current tax liabilities		9,919	36,600	39,330
Short-term debt		60,275	67,090	79,186
Dividends payable		39,539	39,535	39,475
Current portion of other liabilities	8	29,715	13,028	32,508
Current portion of provisions	9	16,770	18,830	14,857
Total current liabilities		557,462	562,736	560,990
Long-term debt				
Other liabilities	8	123,947	77,517	52,308
Provisions	9	628,410	550,624	519,625
Deferred tax liabilities		51,041	5,773	8,165
Total non-current liabilities		2,096,068	1,926,354	1,375,243
Shareholders' equity				
Share capital		1,852,621	1,851,507	1,842,289
Contributed surplus		175,613	168,952	155,757
Retained earnings		2,880,945	2,913,134	2,872,565
Other components of equity		40,393	7,791	46,574
Total shareholders' equity attributable to equity holders		4,949,572	4,941,384	4,917,185
Non-controlling interest				
		1,602	580	3,543
Total shareholders' equity		4,951,174	4,941,964	4,920,728
Total liabilities and shareholders' equity		\$7,604,704	\$7,431,054	\$6,856,961

Commitments and contingencies [notes 4,7,12]

See accompanying notes to condensed consolidated interim financial statements

Cameco Corporation
Consolidated statements of changes in equity

(Restated -
note 3)

(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, 2013	\$1,851,507	\$168,952	\$2,913,134	\$3,700	\$4,091	\$ -	\$4,941,384	\$580	\$4,941,964	
Net earnings	-	-	8,538	-	-	-	8,538	(174)	8,364	
Other comprehensive income (loss)	-	-	-	34,309	(1,707)	-	32,602	8	32,610	
Total comprehensive income for the period	-	-	8,538	34,309	(1,707)	-	41,140	(166)	40,974	
Share-based compensation	-	7,795	-	-	-	-	7,795	-	7,795	
Share options exercised	1,114	(1,134)	-	-	-	-	(20)	-	(20)	
Dividends	-	-	(39,539)	-	-	-	(39,539)	-	(39,539)	
Change in ownership interest in subsidiary	-	-	(1,188)	-	-	-	(1,188)	1,188	-	
Balance at March 31, 2013	\$1,852,621	\$175,613	\$2,880,945	\$38,009	\$2,384	\$ -	\$4,949,572	\$1,602	\$4,951,174	
Balance at January 1, 2012	\$1,842,289	\$155,757	\$2,872,565	\$26,866	\$19,560	\$148	\$4,917,185	\$3,543	\$4,920,728	
Net earnings	-	-	128,723	-	-	-	128,723	(191)	128,532	
Other comprehensive income (loss)	-	-	-	(18,704)	1,528	(320)	(17,496)	(119)	(17,615)	
Total comprehensive income for the period	-	-	128,723	(18,704)	1,528	(320)	111,227	(310)	110,917	
Share-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 subsidiary	-	-	-	-	-	-	-	(1,290)	(1,290)	
Balance at March 31, 2012	\$1,849,173	\$154,502	\$2,961,763	\$8,162	\$21,088	\$(172)	\$4,994,516	\$1,943	\$4,996,459	

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation
Consolidated statements of cash flows

(Restated -
note 3)

(Unaudited)	Note	Three months ended	
(\$Cdn thousands)		Mar 31/13	Mar 31/12
Operating activities			
Net earnings		\$8,364	\$128,532
Adjustments for:			
Depreciation and amortization		52,365	40,401
Deferred charges		(1,358)	(72)
Unrealized losses (gains) on derivatives		28,197	(17,364)
Share-based compensation	14	7,795	2,220
Gain on sale of assets		-	(3,062)
Finance costs	11	14,144	18,969
Finance income		(2,467)	(4,278)
Loss (earnings) from BPLP		1,492	(23,618)
Share of loss (earnings) from equity-accounted investees		(1,324)	739
Other expense (income)		1,025	(759)
Income tax recovery	12	(28,118)	(8,562)
Interest received		4,010	5,334
Income taxes paid		(69,840)	(46,520)
BPLP distributions		29,388	4,582
Other operating items	13	225,374	277,429
Net cash provided by operations		269,047	373,971
Investing activities			
Additions to property, plant and equipment		(181,897)	(123,676)
Acquisition of business, net of cash acquired	4	(126,197)	-
Repayment of debt acquired on acquisition of business	4	(118,068)	-
Decrease (increase) in short-term investments		49,535	(105,457)
Decrease (increase) in long-term receivables, investments and other		1,238	(25,443)
Proceeds from sale of property, plant and equipment		-	33
Net cash used in investing		(375,389)	(254,543)
Financing activities			
Decrease in debt		(7,518)	(13,349)
Interest paid		(24,263)	(21,626)
Proceeds from issuance of shares, stock option plan		868	5,577
Dividends paid		(39,535)	(39,475)
Net cash used in financing		(70,448)	(68,873)
Increase (decrease) in cash during the period		(176,790)	50,555
Exchange rate changes on foreign currency cash balances		4,496	(734)
Cash and cash equivalents at beginning of period		749,499	395,552
Cash and cash equivalents at end of period		\$577,205	\$445,373
Cash and cash equivalents is comprised of:			
Cash		\$167,456	\$70,491
Cash equivalents		409,749	374,882
		\$577,205	\$445,373

See accompanying notes to condensed consolidated interim financial statements.

Cameco Corporation

Notes to condensed consolidated interim financial statements

(Unaudited)

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

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended March 31, 2013 comprise Cameco Corporation and its subsidiaries (collectively, the Company or Cameco) and the Company's interest in associates and joint arrangements. The Company is primarily engaged in the exploration for and the development, mining, refining, conversion, fabrication and trading 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, 2012.

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on April 30, 2013.

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 in tabular format 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 statements of financial position: derivative financial instruments are measured at fair value, available-for-sale financial assets are measured at fair value, liabilities for cash-settled share-based payment arrangements are measured at fair value and the defined benefit asset is recognized as plan assets 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, revenue 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, 2012.

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 five of the December 31, 2012 consolidated financial statements.

3. Accounting changes

A. Changes in accounting policy

On January 1, 2013, Cameco adopted the following new standards as issued by the International Accounting Standards Board: IFRS 7 *Financial Instruments: Disclosures* (IFRS 7), IFRS 10 *Consolidated Financial Statements* (IFRS 10), IFRS 11 *Joint Arrangements* (IFRS 11), IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12), IFRS 13 *Fair Value Measurement* (IFRS 13), IAS 1 *Presentation of Financial Statements* (IAS 1) and revised IAS 19 *Employee Benefits* (IAS 19R).

i. Subsidiaries

IFRS 10 introduces a new control model that is applicable to all investees. Among other things, it requires the consolidation of an investee if the Company controls the investee on the basis of *de facto* circumstances. In accordance with IFRS 10, Cameco re-assessed the control conclusion for its investees at January 1, 2013. There were no changes to the control conclusion for Cameco's investees.

ii. Joint arrangements

Under IFRS 11, Cameco classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the main determination of classification.

In accordance with IFRS 11, Cameco has re-evaluated its involvement in joint arrangements at January 1, 2013. As a result, the Company has changed its classification conclusion with respect to its investment in BPLP. BPLP has control over its own assets, liabilities, revenues, and expenses, and because Cameco is entitled to a share of the profits or losses from BPLP's operations, Cameco has determined that its investment in BPLP should be classified as a joint venture. Accordingly, Cameco applied equity accounting to the investment commencing on January 1, 2013. Previously, the investee was accounted for as a jointly controlled entity using the proportionate consolidation method.

iii. Employee benefits

The revisions to IAS 19 have accelerated the recognition of past service costs and replaced interest cost and expected return on plan assets with a measure of net interest on the defined benefit asset or liability. In addition, IAS 19R has resulted in a change in the accounting for both plan administration costs and assets earning no return in refundable tax accounts. These revisions have resulted in adjustments to both Cameco and BPLP's defined benefit obligation balances. There are also expanded disclosure requirements in IAS 19R. These will be included in the 2013 annual financial statements as the new disclosures are not required in interim periods.

The following tables summarize the adjustments made to Cameco's consolidated statements of earnings and other comprehensive income for the period ended March 31, 2012 and to its consolidated statements of financial position at January 1, 2012 and December 31, 2012, as a result of the aforementioned accounting changes.

Consolidated statement of earnings	Three months ended Mar 31/12
Net earnings as previously reported	\$129,795
Adjustments to:	
Revenue from products and services	(97,626)
Cost of products and services sold	51,352
Depreciation and amortization	18,630
Administration	346
Exploration	1,667
Finance costs	3,299
Gains on derivatives	(1,913)
Finance income	(1,703)
Earnings from BPLP	23,618
Share of loss from equity-accounted investees	73
Income tax recovery	994
Net earnings as restated	\$128,532
Restated net earnings attributable to:	
Equity holders	\$128,723
Non-controlling interest	(191)
	\$128,532
<hr/>	
Consolidated statement of comprehensive income	Three months ended Mar 31/12
Other comprehensive loss as previously reported	\$(18,787)
Adjustments to exchange differences on translation of foreign operations	1,172
Other comprehensive loss as restated	\$(17,615)
Restated other comprehensive loss attributable to:	
Equity holders	\$(17,496)
Non-controlling interest	(119)
	\$(17,615)

Consolidated statements of financial position	Dec 31/12	Jan 1/12
Equity as previously reported	\$4,944,267	\$4,923,136
Adjustments to:		
Cash and cash equivalents	(325)	(2,532)
Accounts receivable	(142,460)	(95,152)
Supplies and prepaid expenses	(78,644)	(67,855)
Current portion of long-term receivables, investments and other	(23,452)	(48,345)
Property, plant and equipment	(433,175)	(443,063)
Long-term receivables, investments and other	(100,080)	(107,195)
Investments in equity-accounted investees	(6,633)	3,922
Accounts payable and accrued liabilities	81,123	99,865
Short-term debt	39,500	18,644
Current portion of finance lease obligation	16,337	14,852
Current portion of other liabilities	8,116	17,987
Finance lease obligation	114,676	130,982
Other liabilities	521,911	474,651
Deferred tax liabilities	803	831
Equity as restated	\$4,941,964	\$4,920,728
Restated equity attributable to:		
Equity holders	\$4,941,384	\$4,917,185
Non-controlling interest	580	3,543
	\$4,941,964	\$4,920,728

The adjustments to earnings relating to the new and amended standards did not change earnings per share for the periods presented.

B. New standards and interpretations not yet adopted

i. Financial instruments

In October 2010, the International Accounting Standards Board (IASB) issued IFRS 9, *Financial Instruments* (IFRS 9). This standard 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. Cameco does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

ii. Financial assets and financial liabilities

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* (IAS 32). The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. Cameco intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

4. Acquisition of NUKEM Energy GmbH (NUKEM)

On January 9, 2013, Cameco completed the acquisition of NUKEM from Advent International (Advent) and other shareholders, through the purchase of all the outstanding shares for cash consideration of €107,149,000 (\$140,494,000 (US)), plus additional consideration of €6,075,000 (\$7,808,000 (US)). While Cameco received the economic benefit of owning NUKEM as of January 1, 2012, the results of NUKEM have been consolidated with the results of Cameco commencing on January 9, 2013. NUKEM is one of the world's leading traders and brokers of nuclear fuel products and services. The acquisition complements Cameco's business by strengthening our position in nuclear fuel markets and improving our access to unconventional and secondary sources of supply.

In addition to the initial purchase price, Cameco will pay Advent and the other shareholders a share of NUKEM's 2012 earnings under the terms of the agreement. This additional consideration has been determined to be \$7,808,000 (US). An additional payment may be required in 2015 depending on results achieved in 2013 and 2014. These earn-out payments are based on NUKEM exceeding certain minimum threshold levels of EBITDA, as specified and defined in the purchase agreement. Cameco does not believe a payment in 2015 will be required and therefore no contingent consideration has been recorded.

In accordance with the acquisition method of accounting, the purchase price was allocated to the underlying assets and liabilities assumed based on their fair values at the date of acquisition. Fair values were determined based on discounted cash flows and quoted market prices. The values assigned to the net assets acquired were as follows:

Net assets acquired	
Cash and cash equivalents	\$12,974
Accounts receivable	43,529
Other working capital	5,172
Inventories	165,280
Intangible assets	87,535
Accounts payable and accrued liabilities	(68,464)
Long-term debt	(116,922)
Provisions	(15,514)
Deferred tax liabilities	(53,665)
Goodwill	88,377
Total	\$148,302
<hr/>	
Cash	\$140,494
Additional consideration	7,808
Total	\$148,302

The fair value of the acquired accounts receivable approximates its carrying value due to the short-term nature of the balance. None of the accounts receivable were impaired and the amounts were fully collected.

Intangible assets include the fair value of the purchase and sales contracts that NUKEM was a party to as at January 9, 2013.

The goodwill arising on acquisition is attributable to the difference between the accounting fair value and the tax basis of the net assets acquired, and is not deductible for income tax purposes. Goodwill reflects the value assigned to the expected future earnings capabilities of the organization. This is the earnings potential that we anticipate will be realized through new business arrangements.

Since the effective date of the transaction was January 9, 2013, the consolidated revenue and net earnings for the current reporting period is not materially different than what would be reported if the business combination had occurred at the beginning of the year.

Acquisition costs of \$3,800,000 have been expensed and included in administration expense in the 2012 consolidated statements of earnings. In addition, an advisory fee of \$2,980,000 has been included in administration expense in the consolidated statement of earnings for the quarter ended March 31, 2013.

As at March 31, 2013, NUKEM had the following purchase commitments to buy uranium and fuel services products:

2013	2014	2015	2016	2017	Thereafter	Total
\$449,000	\$211,000	\$198,000	\$268,000	\$47,000	\$235,000	\$1,408,000

5. Inventories

	Mar 31/13	Dec 31/12
Uranium		
Concentrate	\$425,044	\$407,067
Broken Ore	27,034	22,537
	452,078	429,604
NUKEM	141,041	-
Fuel Services	148,692	133,974
Total	\$741,811	\$563,578

Cameco expensed \$321,300,000 of inventory as cost of sales during the first quarter of 2013 (2012 - \$265,900,000).

6. Long-term receivables, investments and other

	Mar 31/13	Dec 31/12
Available-for-sale securities		
GoviEx Uranium (privately held)	\$21,028	\$20,599
Derivatives [note 15]	8,307	22,453
Advances receivable from JV Inkai LLP [note 18]	89,268	87,264
Investment tax credits	71,591	69,690
Other	59,493	34,159
	\$249,687	\$234,165
Less current portion	(10,065)	(22,807)
Net	\$239,622	\$211,358

7. Interest in BPLP

BPLP operates four nuclear reactors at the Bruce B electricity-generating station in southern Ontario. Cameco holds a 31.6% interest in the BPLP partnership, which is governed by an agreement that provides for joint control of the strategic operating, investing and financing activities among the three major partners. BPLP is a joint venture and Cameco accounts for it under the equity method of accounting.

The following table summarizes the financial information of BPLP (100%).

	Mar 31/13	Dec 31/12
Cash and cash equivalents	\$5,600	\$1,500
Other current assets	614,300	821,700
Non-current assets	1,580,700	1,557,700
Current liabilities	(406,100)	(493,000)
Non-current liabilities	(2,148,900)	(2,141,000)
Net assets	\$(354,400)	\$(253,100)

	Mar 31/13	Mar 31/12
Revenue from products and services	\$288,400	\$333,500
Cost of products and services sold	(229,100)	(201,400)
Depreciation and amortization	(54,100)	(53,800)
Finance income	4,800	5,100
Finance costs	(11,100)	(4,400)
Earnings (loss) before income taxes	\$(1,100)	\$79,000
Cameco's share	(349)	24,964
Adjustments ⁽ⁱ⁾	(1,143)	(1,346)
Cameco's share of earnings (loss) before taxes	\$(1,492)	\$23,618

(i) In addition to its proportionate share of earnings from BPLP, Cameco records certain consolidating adjustments to amortize fair values assigned to assets and liabilities at the time of acquisition

(a) On May 16, 2012, Cameco, Cameco Bruce Holdings II Inc., BPC Generation Infrastructure Trust (BPC) and TransCanada Pipelines Limited (TransCanada) (collectively, the Consortium) received an arbitration award against British Energy Limited and British Energy International Holdings Limited (collectively, BE) ruling in favour of the Consortium on the issues of repair costs and lost revenue for breach of a representation and warranty contained in the February 14, 2003 Amended and Restated Master Purchase Agreement under which the Consortium acquired BE's interest in BPLP. The Consortium and BE are in discussions over the quantification of the damages under the arbitrators award. If these issues are not resolved, they will be referred back to the arbitrator for a final decision. The Company recorded an estimate of the expected net proceeds.

In connection with this arbitration, 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, additional 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 final disposition of the arbitration award.

(b) Annual supplemental rents of \$31,000,000 (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 2013 to 2018:

- i) Guarantees to customers under power sales agreements of up to \$4,300,000. At March 31, 2013, Cameco's actual exposure under these agreements was \$300,000.
- 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. On April 3, 2013, BPLP and the OPA reached an agreement to amend the supply contract to extend the floor price from the original end of life dates from between 2016 and 2019 to between 2019 and 2020. For the quarter ended March 31, 2013, BPLP recorded as revenue \$123,700,000 (2012 - \$184,500,000) under this agreement, with Cameco's share being \$39,100,000 (2012 - \$58,300,000).

8. Other liabilities

	Mar 31/13	Dec 31/12
Deferred sales	\$7,958	\$9,820
Derivatives [note 15]	20,078	1,954
Accrued pension and post-retirement benefit liability	44,379	32,647
Investment in BPLP	74,359	40,533
Other	6,888	5,591
	\$153,662	\$90,545
Less current portion	(29,715)	(13,028)
Net	\$123,947	\$77,517

9. Provisions

	Reclamation	Waste disposal	Total
Beginning of year	\$552,637	\$16,817	\$569,454
Changes in estimates	69,355	75	69,430
Expenditures during the period	(1,442)	(130)	(1,572)
Unwinding of discount	4,004	58	4,062
Impact of foreign exchange	3,806	-	3,806
End of period	\$628,360	\$16,820	\$645,180
Current	13,960	2,810	16,770
Non-current	614,400	14,010	628,410
	\$628,360	\$16,820	\$645,180

10. Share capital

At March 31, 2013, there were 395,395,217 common shares outstanding. Options in respect of 10,445,736 shares are outstanding under the stock option plan and are exercisable up to 2021. For the quarter ended March 31, 2013, 44,823 options were exercised resulting in the issuance of shares (2012 - 506,975).

11. Finance costs

	Three months ended	
	Mar 31/13	Mar 31/12
Interest on long-term debt	\$18,373	\$10,705
Unwinding of discount on provisions	4,062	3,363
Other charges	1,498	1,920
Foreign exchange (gains) losses	(9,892)	2,551
Interest on short-term debt	103	430
Total	\$14,144	\$18,969

12. Income taxes

	Three months ended	
	Mar 31/13	Mar 31/12
Earnings (loss) before income taxes		
Canada	\$(128,352)	\$(81,603)
Foreign	108,598	201,573
	\$ (19,754)	\$119,970
Current income taxes (recovery)		
Canada	\$(943)	\$1,414
Foreign	14,319	10,893
	\$13,376	\$12,307
Deferred income taxes (recovery)		
Canada	\$(31,826)	\$(19,379)
Foreign	(9,668)	(1,490)
	\$(41,494)	\$(20,869)
Income tax recovery	\$ (28,118)	\$(8,562)

Cameco has recorded \$227,395,000 of deferred tax assets (December 31, 2012 - \$193,916,000). Based on projections of future income, realization of these deferred tax assets is probable and consequently a deferred tax asset has been recorded.

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing structure and 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 through 2007, which have increased Cameco's income for Canadian income tax purposes by approximately \$43,000,000, \$108,000,000, \$197,000,000, \$243,000,000 and \$708,000,000 respectively. The 2007 reassessment resulted in Cameco being required to make a cash payment of approximately \$27,000,000 in the first quarter of 2013. Cameco believes it is likely that CRA will reassess Cameco's tax returns for subsequent years on a similar basis and that these will result in future cash payments on receipt of the reassessments.

Using the methodology we believe that the CRA will continue to apply, and including the \$1,300,000,000 already reassessed, we expect to receive notices of reassessment for a total of approximately \$4,900,000,000 for the years 2003 through 2012, which would increase Cameco's income for Canadian tax purposes and result in a related tax expense of approximately \$1,400,000,000. Cash taxes payable would be between \$800,000,000 and \$850,000,000. In addition, we estimate there would be interest and instalment penalties applied that would be material to Cameco. We would be responsible for remitting 50% of the cash taxes, or between \$400,000,000 and \$425,000,000, plus related interest and instalment penalties assessed, which would be material to Cameco. The amount required to be remitted each year will depend on the amount of income reassessed in that year and the availability of elective deductions and tax loss carryovers. In light of our view of the likely outcome of the case as described above, we expect to recover all amounts paid to date and any other amounts remitted in this case.

The case on the 2003 reassessment is expected to go to trial in the fall of 2014. If the timing is adhered to, we expect to have a Tax Court decision in 2015.

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 and expects to recover any cash paid as a result of the reassessments. 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 \$65,000,000. 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 in the year(s) of resolution. Resolution of this matter as stipulated by CRA would be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution, and other unfavourable outcomes for the years 2003 to date could be material to Cameco's financial position, results of operations and cash flows in the year(s) of resolution.

CRA's Transfer Pricing Review Committee has not imposed a transfer pricing penalty for any year reassessed to date. Further to Cameco's decision to contest CRA's reassessments, Cameco is pursuing its appeal rights under the Income Tax Act.

Other comprehensive loss included in 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 loss:

For the three months ended March 31, 2013

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$34,317	\$ -	\$34,317
Losses on derivatives designated as cash flow hedges - equity-accounted investees	(569)	142	(427)
Gains on derivatives designated as cash flow hedges transferred to net earnings - equity-accounted investees	(1,707)	427	(1,280)
	\$32,041	\$569	\$32,610

For the three months ended March 31, 2012

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(18,823)	\$ -	\$(18,823)
Gains on derivatives designated as cash flow hedges - equity-accounted investees	9,417	(2,354)	7,063
Gains on derivatives designated as cash flow hedges transferred to net earnings - equity-accounted investees	(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)
	\$(17,157)	\$(458)	\$(17,615)

13. Statements of cash flows

	Three months ended	
	Mar 31/13	Mar 31/12
Changes in non-cash working capital:		
Accounts receivable	\$247,715	\$320,459
Inventories	23,969	3,012
Supplies and prepaid expenses	517	11,010
Accounts payable and accrued liabilities	(35,855)	(31,495)
Reclamation payments	(1,572)	(4,825)
Other	(9,400)	(20,732)
Other operating items	\$225,374	\$277,429

14. Share-based compensation plans

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 27,472,774 shares have been issued.

The inputs used in the measurement of the fair values at grant date of the stock option plan were as follows:

	Stock option plan
Number of options granted	1,840,932
Average strike price	\$22.00
Expected dividend	\$0.40
Expected volatility	41%
Risk-free interest rate	1.2%
Expected life of option	4.4 years
Expected forfeitures	8%
Weighted average grant date fair values	\$6.51

Cameco records compensation expense with an offsetting credit to contributed surplus to reflect the estimated fair value of the equity-settled share-based compensation plans granted to employees.

	Three months ended	
	Mar 31/13	Mar 31/12
Stock option plan	\$6,485	\$2,984
Performance share unit	1,162	(912)
Restricted share unit	148	148
Total	\$7,795	\$2,220

15. Financial instruments

A. Fair value of financial instruments

The fair value of a financial instrument is estimated as the amount that would be received to sell a financial asset, or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. Fair values of financial instruments traded in an active market are determined by reference to last quoted prices, in the principal market for that instrument. In the absence of an active market for an instrument, fair values are determined based on quoted instruments with similar characteristics and risk profiles, or through other valuation techniques. Fair values determined using valuation techniques require the use of inputs, which are obtained from external, readily observable market data when available. In some circumstances, inputs that are not based on observable data must be used. In these cases, the estimated fair values may be adjusted in order to account for valuation uncertainty, or to reflect the assumptions that market participants would use in pricing the instrument.

The fair value of Cameco's cash and cash equivalents, receivables, payables and accrued liabilities is assumed to approximate the carrying value as a result of the short-term nature of the instruments. The fair value of Cameco's short-term debt and long-term debt is assumed to approximate the carrying value as a result of the variable interest rate associated with the instruments, or the fixed interest rate of the instruments being similar to market rates.

Short-term investments represent available-for-sale money-market instruments which are carried at fair value, determined based on quoted closing bid prices at the reporting date. The fair value of Cameco's privately held available-for-sale securities has not been disclosed, because of the unavailability of a quoted market price in an active market. Cameco does not currently have plans to dispose of this investment.

Cameco's derivatives consist of foreign currency swaps, interest rate swaps, and interest rate caps. The fair value of foreign currency swaps is determined using quoted foreign exchange rates at the reporting date. The fair value of interest rate swaps is determined by discounting estimated future cash flows based on the terms and maturity of each contract, and using market interest rates for a similar instrument at the reporting date. The fair value of interest rate caps is determined based on broker quotes at the reporting date. Where applicable, the fair value of derivatives reflects the credit risk of the instrument, and includes adjustments to take into account the credit risk of the Company and counterparty.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the reporting date for identical assets or liabilities.
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

The following tables present Cameco's fair value hierarchy for those financial instruments measured at fair value on a recurring basis.

As at March 31, 2013

	Level 1	Level 2	Level 3	Total
Derivative instrument assets	\$ -	\$8,307	\$ -	\$8,307
Derivative instrument liabilities	-	(20,078)	-	(20,078)
Net	\$ -	\$(11,771)	\$ -	\$(11,771)

As at December 31, 2012

	Level 1	Level 2	Level 3	Total
Derivative instrument assets	\$ -	\$22,453	\$ -	\$22,453
Available-for-sale securities	49,535	-	-	49,535
Derivative instrument liabilities	-	(1,954)	-	(1,954)
Net	\$49,535	\$20,499	\$ -	\$70,034

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period. There were no transfers between level 1, level 2, or level 3 during the period. Cameco does not have any financial instruments that are categorized as level 3 as of the reporting date.

B. Derivatives

The following table summarizes the fair value of derivatives and classification on the statements of financial position:

	Mar 31/13	Dec 31/12
Non-hedge derivatives:		
Foreign currency contracts	\$(16,425)	\$15,046
Interest rate contracts	4,654	5,453
Net	\$(11,771)	\$20,499
Classification:		
Current portion of long-term receivables, investments and other [note 6]	\$3,434	\$17,000
Long-term receivables, investments and other [note 6]	4,873	5,453
Current portion of other liabilities [note 8]	(20,078)	(1,954)
Net	\$(11,771)	\$20,499

The following table summarizes different components of the gains (losses) on derivatives included in net earnings:

For the three months ended

	Mar 31/13	Mar 31/12
Non-hedge derivatives:		
Foreign currency contracts	\$(24,510)	\$23,886
Embedded derivatives - sales contracts	-	330
Interest rate contracts	426	(1,675)
	\$(24,084)	\$22,541

16. Earnings per share

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the period. The weighted average number of paid shares outstanding in 2013 was 395,367,616 (2012 - 394,966,854).

	Three months ended	
	Mar 31/13	Mar 31/12
Basic earnings per share computation		
Net earnings attributable to equity holders	\$8,538	\$128,723
Weighted average common shares outstanding	395,368	394,967
Basic earnings per common share	\$0.02	\$0.33
Diluted earnings per share computation		
Net earnings attributable to equity holders	\$8,538	\$128,723
Weighted average common shares outstanding	395,368	394,967
Dilutive effect of stock options	121	507
Weighted average common shares outstanding, assuming dilution	395,489	395,474
Diluted earnings per common share	\$0.02	\$0.33

For the three months ended March 31, 2012

	Uranium	Fuel Services	(i) Electricity	(i) Adjustments	Other	Total
Revenue	\$405,529	\$59,554	\$105,386	\$(105,386)	\$549	\$465,632
Expenses						
Cost of products and services sold	231,131	43,795	63,642	(63,642)	68	274,994
Depreciation and amortization	31,878	4,410	17,001	(17,001)	4,113	40,401
Cost of sales	263,009	48,205	80,643	(80,643)	4,181	315,395
Gross profit (loss)	142,520	11,349	24,743	(24,743)	(3,632)	150,237
Administration	-	-	-	-	38,674	38,674
Exploration	23,018	-	-	-	-	23,018
Research and development	-	-	-	-	3,125	3,125
Gain on sale of assets	(45)	(3,017)	-	-	-	(3,062)
Net finance income	-	-	(221)	221	(7,850)	(7,850)
Earnings from BPLP	-	-	-	(23,618)	-	(23,618)
Share of loss from equity-accounted investees	147	789	-	-	(197)	739
Other income (expense)	(759)	-	1,346	(1,346)	-	(759)
Earnings (loss) before income taxes	120,159	13,577	23,618	-	(37,384)	119,970
Income tax recovery						(8,562)
Net earnings						\$128,532

(i) Consistent with the presentation of financial information for internal management purposes, Cameco's pro rata share of BPLP's financial results have been presented as a separate segment. In accordance with IFRS, this investment is accounted for by the equity method of accounting in these condensed consolidated interim financial statements and the associated revenues and expenses are eliminated in the "Adjustments" column.

18. 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 2013, Cameco paid Points Athabasca Contracting Ltd. \$11,400,000 (2012 - \$13,000,000) 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 does not include a balance at March 31, 2013 (2012 - \$2,300,000).

Other related party transactions

	Transaction value		Balance outstanding	
	Three months ended Mar 31/13	Three months ended Mar 31/12	As at Mar 31/13	As at Mar 31/12
Sale of goods and services				
Joint arrangements				
BPLP	\$21,796	\$24,556	\$37,055	\$36,412
Other				
Joint arrangements				
Interest income (Inkai) ^(a)	494	509	89,268	98,179
Associates				
Interest expense	(92)	(397)	(35,392)	64,895

(a) Disclosures in respect of transactions with joint arrangements 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 unsecured shareholder loans, Cameco has agreed to fund Inkai's project development costs as well as further evaluation on Block 3. The limit of the loan facilities is \$322,150,000 (US) and advances under these facilities bear interest at a rate of LIBOR plus 2%. At March 31, 2013, \$219,740,000 (US) of principal and interest was outstanding (December 31, 2012 - \$219,277,000 (US)).

In 2008, a promissory note in the amount of \$73,344,000 (US) was issued to finance the acquisition of GLE. The promissory note is payable on demand and bears interest at market rates. At March 31, 2013, \$34,848,000 (US) of principal and interest was outstanding (December 31, 2012 - \$42,436,000 (US)).