



## Management's discussion and analysis

for the quarter ended September 30, 2014

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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 September 30, 2014 (interim financial statements). The information is based on what we knew as of October 28, 2014 and updates our first quarter, second quarter and annual MD&A included in our 2013 annual report.

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, 2013 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](http://cameco.com), on SEDAR at [sedar.com](http://sedar.com) or on EDGAR at [sec.gov](http://sec.gov). You should also read our annual information form before making an investment decision about our securities.

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

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

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 annual, first and second quarter 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*
- our expectations about 2014 and future global uranium supply and demand including the discussion under the heading *Uranium market update*
- our expectations for uranium deliveries in the fourth quarter of 2014
- the discussion of our expectations relating to our tax dispute with Canada Revenue Agency (CRA), including our estimate of the amount and timing of expected cash taxes and transfer pricing penalties payable to CRA
- our consolidated outlook for the year and the outlook for our operating segments for 2014
- our price sensitivity analysis for our uranium segment
- our expectation that existing cash balances and operating cash flows would be sufficient to meet our anticipated 2014 capital requirements without the need for any significant additional funding
- our expectation that we will continue to invest in maintaining and expanding our production capacity over the next several years
- our expectation that our operating and investment activities in 2014 will not be constrained by the financial covenants in our unsecured revolving credit facility
- our future plans and expectations for each of our uranium operating properties and fuel services operating sites
- our plan for between 0.2 million and 0.6 million packaged pounds (100% basis) in 2014 from milling Cigar Lake ore at AREVA's McClean Lake mill

## Material risks

- actual sales volumes or market prices for any of our products or services are lower than we expect for any reason, including changes in market prices or loss of market share to a competitor
- we are adversely affected by changes in foreign currency exchange rates, interest rates or tax rates
- our production costs are higher than planned, or necessary supplies are not available, or not available on commercially reasonable terms
- our estimates of production, purchases, costs, decommissioning or reclamation expenses, or our tax expense estimates, prove to be inaccurate
- we are unable to enforce our legal rights under our existing agreements, permits or licences
- we are subject to litigation or arbitration that has an adverse outcome, including lack of success in our dispute with CRA
- 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 fulfil delivery commitments
- our Cigar Lake mining or production plans are delayed or do not succeed, including as a result of any difficulties with the jet boring mining method or freezing the deposit to meet production targets, or any difficulties with the McClean Lake mill modifications or milling of Cigar Lake ore, 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 for any reason
- we are affected by natural phenomena, including inclement weather, fire, flood and earthquakes
- our operations are disrupted due to problems with our own or our customers' facilities, the unavailability of reagents, equipment, operating parts and supplies critical to production, equipment failure, lack of tailings capacity, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failures, transportation disruptions or accidents, or other development and operating risks

### **Material assumptions**

- our expectations regarding sales and purchase volumes and prices for uranium and fuel services
- 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 expenditures expectations
- our expectations regarding spot prices and realized prices for uranium, and other factors discussed on page 16, *Price sensitivity analysis: uranium segment*
- our expectations regarding tax rates and payments, foreign currency exchange rates and interest rates
- our expectations about the outcome of the dispute with CRA
- our decommissioning and reclamation expenses
- our mineral reserve and resource estimates, and the assumptions upon which they are based, are reliable
- the geological, hydrological and other conditions at our mines
- our Cigar Lake mining and production plans succeed, including the additional jet boring equipment is acquired on schedule, the jet boring mining method works as anticipated and the deposit freezes as planned
- the McClean Lake mill is able to process Cigar Lake ore as expected, including our expectation of processing between 0.2 million and 0.6 million packaged pounds (100% basis) in 2014
- our McArthur River development, mining and production plans succeed
- our ability to continue to supply our products and services in the expected quantities and at the expected times
- our ability to comply with current and future environmental, safety and other regulatory requirements, and to obtain and maintain required regulatory approvals
- our operations are not significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, civil unrest, breakdown, natural disasters, governmental or political actions, litigation or arbitration proceedings, the unavailability of reagents, equipment, operating parts and supplies critical to production, labour shortages, labour relations issues, strikes or lockouts, underground floods, cave-ins, ground movements, tailings dam failure, lack of tailings capacity, transportation disruptions or accidents or other development or operating risks

## Our strategy

Our strategy is to profitably produce at a pace aligned with market signals, while maintaining the flexibility to respond to market conditions as they evolve. We remain focused on taking advantage of the long-term growth we see coming in our industry to increase long-term shareholder value.

We plan to:

- carry out all of our business with a focus on safety, people and the environment
- ensure continued reliable, low-cost production from our flagship operation, McArthur River/Key Lake, and seek to expand that production
- ensure continued reliable, low-cost production at Inkai
- successfully ramp up production at Cigar Lake
- manage the rest of our production facilities and potential sources of supply in a manner that retains the flexibility to respond to market signals and take advantage of value adding opportunities within our own portfolio and the uranium market
- manage and allocate capital in a way that balances growing the long-term value of the business and returns to shareholders, while maintaining a strong balance sheet and our investment grade rating

You can read more about our strategy in our 2013 annual MD&A.

## Third quarter update

On January 31, 2014, we announced the sale of our 31.6% limited partnership interest in Bruce Power Limited Partnership (BPLP) and related entities for \$450 million. The sale closed on March 27, 2014 and has been accounted for as being completed effective January 1, 2014.

Under IFRS, we are required to report the results from discontinued operations separately from continuing operations. We have included our operating earnings from BPLP, and the financial impact of the sale, in discontinued operations.

Throughout this document, for comparison purposes, all results for “earnings from continuing operations” and “cash from continuing operations” have been revised to exclude BPLP. The impact of BPLP is shown separately as a discontinued operation.

## Our performance

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Revenue	587	597	(2)%	1,508	1,461	3%
Gross profit	143	228	(37)%	386	422	(9)%
Net earnings (losses) attributable to equity holders	(146)	211	(170)%	113	254	(56)%
\$ per common share (diluted)	(0.37)	0.53	(170)%	0.28	0.64	(56)%
Adjusted net earnings (non-IFRS, see page 9)	93	208	(55)%	207	295	(30)%
\$ per common share (adjusted and diluted)	0.23	0.53	(57)%	0.52	0.75	(31)%
Cash provided by (used in) continuing operations (after working capital changes)	263	154	71%	244	361	(32)%

### THIRD QUARTER

Net losses attributable to equity holders (net losses) this quarter were \$146 million (\$0.37 per share diluted) compared to net earnings attributable to equity holders (net earnings) of \$211 million (\$0.53 per share diluted) in the third quarter of 2013. In addition to the items noted below, our net losses were affected by the impairment of our investment in GE-Hitachi Global Laser Enrichment (GLE) of \$184 million, the impairment of our investment in GoviEx Uranium Inc. (GoviEx) of \$12 million, and mark-to-market losses on foreign exchange derivatives compared to gains in 2013.

On an adjusted basis, our net earnings this quarter were \$93 million (\$0.23 per share diluted) compared to \$208 million (\$0.53 per share diluted) (non-IFRS measure, see page 9) in the third quarter of 2013. The change was mainly due to:

- lower earnings from our uranium segment based on a higher cost of sales and lower Canadian and US dollar average realized prices
- no earnings from BPLP due to the divestiture of our interest in the first quarter of this year

partially offset by:

- tax recoveries due to pre-tax losses in Canada

See *Financial results by segment* on page 19 for more detailed discussion.

## FIRST NINE MONTHS

Net earnings in the first nine months of the year were \$113 million (\$0.28 per share diluted) compared to \$254 million (\$0.64 per share diluted) in the first nine months of 2013. In addition to the items noted below, net earnings were impacted by a gain on the sale of our interest in BPLP of \$127 million, the impairment of our investment in GLE of \$184 million, the impairment of our investment in GoviEx of \$12 million, and higher market-to-market losses on foreign exchange derivatives compared to 2013.

On an adjusted basis, our net earnings for the first nine months of this year were \$207 million (\$0.52 per share diluted) compared to \$295 million (\$0.75 per share diluted) (non-IFRS measure, see page 9) for the first nine months of 2013, mainly due to:

- lower earnings from our uranium business based on a higher cost of sales
- an early termination fee of \$18 million incurred as a result of the cancellation of our toll conversion agreement with Springfields Fuels Ltd. (SFL), which was to expire in 2016
- settlement costs of \$12 million with respect to the early redemption our Series C debentures
- no earnings from BPLP due to the divestiture of our interest in the first quarter of this year

partially offset by:

- a favourable settlement of \$28 million with respect to a dispute regarding a long-term supply contract with a utility customer
- lower expenditures on exploration due to decreased activity in Australia and a more focused effort on our core projects in Saskatchewan
- higher tax recoveries due to pre-tax losses in Canada

See *Financial results by segment* on page 19 for more detailed discussion.

## Operations update

(includes sales of 1 million pounds between our uranium, fuel services and NUKEM segments)

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			
	2014	2013	CHANGE	2014	2013	CHANGE	
<b>Uranium</b>	Production volume (million lbs)	5.4	5.8	(7)%	15.1	16.2	(7)%
	Sales volume (million lbs)	9.0	8.5	6%	23.3	20.1	16%
	Average realized price (\$US/lb)	45.87	50.73	(10)%	46.14	48.72	(5)%
	(\$Cdn/lb)	49.83	52.59	(5)%	50.35	49.81	1%
	Revenue (\$ millions)	447	449	-	1,171	1,001	17%
	Gross profit (\$ millions)	132	226	(42)%	362	400	(10)%
<b>Fuel services</b>	Production volume (million kgU)	1.1	2.6	(58)%	8.9	12.2	(27)%
	Sales volume (million kgU)	3.1	3.8	(18)%	8.2	11.1	(26)%
	Average realized price (\$Cdn/kgU)	23.11	20.03	15%	22.21	18.63	19%
	Revenue (\$ millions)	71	77	(8)%	182	208	(13)%
	Gross profit (\$ millions)	5	13	(62)%	23	34	(32)%
<b>NUKEM</b>	Sales volume U <sub>3</sub> O <sub>8</sub> (million lbs)	2.5	2.1	19%	4.7	5.6	(16)%
	Average realized price (\$Cdn/lb)	38.52	40.24	(4)%	39.72	42.50	(7)%
	Revenue (\$ millions)	97	93	4%	190	276	(31)%
	Gross profit (\$ millions)	9	(7)	229%	19	1	1800%

Production in our uranium segment this quarter was 7% lower compared to the third quarter of 2013 due to a labour disruption at McArthur River/Key Lake in the third quarter of 2014 that resulted in an unplanned shutdown. See *Uranium Q3 updates* starting on page 23 for more information.

Key highlights:

- on October 6, unionized employees at McArthur River and Key Lake accepted a new four-year contract that includes a 12% wage increase over the term of the agreement. The previous contract expired on December 31, 2013.
- on October 8, we announced that the McClean Lake mill had started producing uranium concentrate from ore mined at the Cigar Lake operation in northern Saskatchewan

Production in our fuel services segment was 58% lower this quarter than in the third quarter of 2013 primarily due to an extended planned shutdown and lower demand, as well as a lower than expected final delivery from SFL under the toll conversion contract.

**Also of note this quarter:**

In July 2014, the majority partner of GLE decided to significantly reduce funding to GLE. In accordance with the provisions of IAS 36 *Impairment of Assets*, we considered this to be an indicator that our investment in GLE could potentially be impaired and, accordingly, we estimated the assets' recoverable amount. As a result of this review, we have impaired the full value of our investment and recorded a charge of \$184 million in the third quarter.

Also in the third quarter, we recorded an impairment on our investment in GoviEx. GoviEx recently became listed on the Canadian Securities Exchange. With the availability of a quoted market price, we determined that there was a significant decline in the fair value of our investment in GoviEx and as a result, we recorded an impairment of \$12 million.

## Uranium market update

The market in the third quarter of 2014 showed no fundamental change from the first half of the year. It remains in a state of surplus supply as a result of factors like the lack of reactor restarts in Japan. That said, we did see a 25% increase in the spot price during the quarter, as prices moved from the high-\$20s to mid-\$30s (US). We believe this increase can be attributed to market speculation surrounding the uncertain impact of potential Russian sanctions, the possible interruption of US Department of Energy inventory dispositions, the reduction in supply from our own McArthur River/Key Lake operation as a result of a labour disruption, and normal course activity from traders and financial players. There have also been some indications that investors may be looking to step in to take positions in physical uranium, but it is too early to speculate on the potential impact of this activity on the market.

Whether the spot price increase is sustainable is yet to be seen. Utilities remain well covered, and while Japan is edging ever closer to restarting some reactors, it's clear that the restart approval process will continue to be challenging. Meanwhile, supply is readily available for the near term, though it has diminished over the long term as a result of project delays and cancellations. So while, overall, there have been some positive developments, nothing fundamental has changed in the uranium market for the near term.

The long-term outlook remains positive, as nuclear growth continues around the world. Approximately 70 new reactors are under construction and even more are planned. This reactor growth, combined with the timing, development and execution of new supply projects, along with the continued performance of existing supply, will determine the pace of market recovery.

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### 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, 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

	SEP 30 2014	JUN 30 2014	MAR 31 2014	SEPT 30 2013	JUN 30 2013	MAR 31 2013
<b>Uranium</b> (\$US/lb U <sub>3</sub> O <sub>8</sub> ) <sup>1</sup>						
Average spot market price	<b>35.40</b>	28.23	34.00	35.00	39.60	42.25
Average long-term price	<b>45.00</b>	44.50	46.00	50.50	57.00	56.50
<b>Fuel services</b> (\$US/kgU as UF <sub>6</sub> ) <sup>1</sup>						
Average spot market price						
North America	<b>7.25</b>	7.25	7.63	9.00	10.00	10.50
Europe	<b>7.50</b>	7.50	8.00	9.50	10.38	11.00
Average long-term price						
North America	<b>16.00</b>	16.00	16.00	16.38	16.75	16.75
Europe	<b>17.00</b>	17.00	17.00	17.13	17.25	17.25

Note: the industry does not publish UO<sub>2</sub> prices.

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

On the spot market, where purchases call for delivery within one year, the volume reported for the third quarter of 2014 was approximately 12 million pounds, which is the same volume reported for the third quarter of 2013.

At the end of the quarter, the average reported spot price increased 25% to \$35.40 (US) per pound, and the average reported long-term price increased to \$45.00 (US) per pound.

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 escalated over the term of the contract, and market referenced prices (spot and long-term indicators quoted near the time of delivery).

Spot and long-term UF<sub>6</sub> conversion prices held firm during the quarter.

### SHARES AND STOCK OPTIONS OUTSTANDING

At October 27, 2014, we had:

- 395,791,522 common shares and one Class B share outstanding
- 8,384,212 stock options outstanding, with exercise prices ranging from \$19.37 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

HIGHLIGHTS (\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Revenue	587	597	(2)%	1,508	1,461	3%
Gross profit	143	228	(37)%	386	422	(9)%
Net earnings (losses) attributable to equity holders	(146)	211	(170)%	113	254	(56)%
\$ per common share (basic)	(0.37)	0.53	(170)%	0.28	0.64	(56)%
\$ per common share (diluted)	(0.37)	0.53	(170)%	0.28	0.64	(56)%
Adjusted net earnings (non-IFRS, see page 9)	93	208	(55)%	207	295	(30)%
\$ per common share (adjusted and diluted)	0.23	0.53	(57)%	0.52	0.75	(31)%
Cash provided by (used in) continuing operations (after working capital changes)	263	154	71%	244	361	(32)%

#### Net earnings

Net losses this quarter were \$146 million (\$0.37 per share diluted) compared to net earnings of \$211 million (\$0.53 per share diluted) in the third quarter of 2013. In addition to the items noted below, our net losses were affected by the impairment of our investment in GLE of \$184 million, the impairment of our investment in GoviEx of \$12 million, and mark-to-market losses on foreign exchange derivatives compared to gains in 2013.

On an adjusted basis, our net earnings this quarter were \$93 million (\$0.23 per share diluted) compared to \$208 million (\$0.53 per share diluted) (non-IFRS measure, see page 9) in the third quarter of 2013. The change was mainly due to:

- lower earnings from our uranium segment based on a higher cost of sales and lower Canadian and US dollar average realized prices
- no earnings from BPLP due to the divestiture of our interest in the first quarter of this year

partially offset by:

- tax recoveries due to pre-tax losses in Canada

Net earnings in the first nine months of the year were \$113 million (\$0.28 per share diluted) compared to \$254 million (\$0.64 per share diluted) in the first nine months of 2013. In addition to the items noted below, net earnings were impacted by a gain on the sale of our interest in BPLP of \$127 million, the impairment of our investment in GLE of \$184 million, the impairment of our investment in GoviEx of \$12 million, and higher mark-to-market losses on foreign exchange derivatives compared to 2013.

On an adjusted basis, our net earnings for the first nine months of this year were \$207 million (\$0.52 per share diluted) compared to \$295 million (\$0.75 per share diluted) (non-IFRS measure, see page 9) for the first nine months of 2013, mainly due to:

- lower earnings from our uranium business based on a higher cost of sales
- an early termination fee of \$18 million incurred as a result of the cancellation of our toll conversion agreement with SFL, which was to expire in 2016
- settlement costs of \$12 million with respect to the early redemption our Series C debentures
- no earnings from BPLP due to the divestiture of our interest in the first quarter of this year

partially offset by:

- a favourable settlement of \$28 million with respect to a dispute regarding a long-term supply contract with a utility customer



- lower expenditures on exploration due to decreased activity in Australia and a more focused effort on our core projects in Saskatchewan
- higher tax recoveries due to pre-tax losses in Canada

See *Financial results by segment* on page 19 for more detailed discussion.

### 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 (losses) 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 pre-tax adjustments on derivatives, NUKEM purchase price inventory write-down (pre-tax), impairment charges, income taxes on adjustments, and the after tax gain on the sale of our interest in BPLP.

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 SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
<b>Net earnings (loss) attributable to equity holders</b>	<b>(146)</b>	211	<b>113</b>	254
<b>Adjustments</b>				
Adjustments on derivatives <sup>1</sup> (pre-tax)	60	(41)	37	20
NUKEM purchase price inventory write-down (pre-tax)	(2)	17	(2)	17
Impairment charges	196	15	196	15
Gain on interest in BPLP (after tax)	-	-	(127)	-
Income taxes on adjustments	(15)	6	(10)	(11)
<b>Adjusted net earnings</b>	<b>93</b>	208	<b>207</b>	295

<sup>1</sup>We do not apply hedge accounting for our portfolio of foreign currency forward sales contracts. However, we have adjusted our gains or losses on derivatives to reflect what our earnings would have been had hedge accounting been in place.

The table below shows what contributed to the change in adjusted net earnings this quarter.

(\$ MILLIONS)		THREE MONTHS	NINE MONTHS
		ENDED SEPTEMBER 30	ENDED SEPTEMBER 30
<b>Adjusted net earnings – 2013</b>		<b>208</b>	<b>295</b>
<b>Change in gross profit by segment</b>		(we calculate gross profit by deducting from revenue the cost of products and services sold, and depreciation and amortization (D&A), net of hedging benefits)	
<b>Uranium</b>	Higher sales volume	11	63
	Lower realized prices (\$US)	(43)	(60)
	Foreign exchange impact on realized prices	19	72
	Higher costs	(80)	(114)
	Hedging benefits	(13)	(32)
	<b>change – uranium</b>	<b>(106)</b>	<b>(71)</b>
<b>Fuel services</b>	Lower sales volume	(3)	(9)
	Higher realized prices (\$Cdn)	9	29
	Higher costs	(14)	(31)
	Hedging benefits	(1)	(2)
	<b>change – fuel services</b>	<b>(9)</b>	<b>(13)</b>
<b>NUKEM</b>	Gross profit	(2)	-
	<b>change – NUKEM</b>	<b>(2)</b>	<b>-</b>
<b>Other changes</b>			
	(Higher)/lower administration expenditures	(5)	12
	Lower exploration expenditures	9	22
	Loss on disposal of assets	(2)	(7)
	Debenture redemption premium	-	(12)
	Foreign exchange	18	3
	Earnings from BPLP	(63)	(65)
	Loss on equity accounted investments	(1)	(12)
	Contract termination fee (SFL)	-	(18)
	Partial arbitration award	-	28
	Lower income taxes	51	51
	Other	(5)	(6)
<b>Adjusted net earnings – 2014</b>		<b>93</b>	<b>207</b>

See *Financial results by segment* on page 19 for more detailed discussion.

## Quarterly trends

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2014				2013			2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 <sup>1</sup>
Revenue	587	502	419	977	597	421	444	846
Net earnings (losses) attributable to equity holders	(146)	127	131	64	211	34	9	41
\$ per common share (basic)	(0.37)	0.32	0.33	0.16	0.53	0.09	0.02	0.10
\$ per common share (diluted)	(0.37)	0.32	0.33	0.16	0.53	0.09	0.02	0.10
Adjusted net earnings (non-IFRS, see page 9)	93	79	36	150	208	61	27	233
\$ per common share (adjusted and diluted)	0.23	0.20	0.09	0.38	0.53	0.15	0.07	0.59
Earnings (losses) from continuing operations	(146)	127	4	29	163	33	8	7
\$ per common share (basic)	(0.37)	0.32	0.01	0.07	0.41	0.08	0.02	0.02
\$ per common share (diluted)	(0.37)	0.32	0.01	0.07	0.41	0.08	0.02	0.02
Cash provided by (used in) continuing operations (after working capital changes)	263	(25)	7	163	154	(33)	241	281

<sup>1</sup> Our quarterly results have been revised in accordance with *IFRS 11 – Joint Arrangements* and *IAS 19 – Employee Benefits*.

Key things to note:

- our financial results are strongly influenced by the performance of our uranium segment, which accounted for 76% of consolidated revenues in the third quarter of 2014
- the timing of customer requirements, which tends 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 9 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 seasonal variability in customer requirements

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

HIGHLIGHTS (\$ MILLIONS EXCEPT PER SHARE AMOUNTS)	2014				2013			2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 <sup>2</sup>
<b>Net earnings attributable to equity holders</b>	<b>(146)</b>	127	131	64	211	34	9	41
<b>Adjustments</b>								
Adjustments on derivatives <sup>1</sup> (pre-tax)	60	(66)	44	36	(41)	36	25	33
NUKEM purchase price inventory write-down (pre-tax)	(2)	-	-	(3)	17	-	-	-
Impairment charges	196	-	-	70	15	-	-	168
Income taxes on adjustments	(15)	18	(12)	(17)	6	(9)	(7)	(9)
Gain on sale of BPLP (after tax)	-	-	(127)	-	-	-	-	-
<b>Adjusted net earnings</b> (non-IFRS, see page 9)	<b>93</b>	79	36	150	208	61	27	233

<sup>1</sup> We do not apply hedge accounting for our portfolio of foreign currency forward sales contracts. However, we have adjusted our gains or losses on derivatives to reflect what our earnings would have been had hedge accounting been in place.

<sup>2</sup> Our quarterly results have been revised in accordance with *IFRS 11 – Joint Arrangements* and *IAS 19 – Employee Benefits*.

## Discontinued operation

On March 27, 2014, we completed the sale of our 31.6% limited partnership interest in BPLP. The aggregate sale price for our interest in BPLP and certain related entities was \$450 million. The sale has been accounted for, effective January 1, 2014. We realized an after tax gain of \$127 million on this divestiture. See note 4 to the interim financial statements for more information.

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
Share of earnings from BPLP and related entities		63		65
Tax expense		(15)		(16)
		48		49
Gain on disposal of BPLP and related entities		-	145	-
Tax expense on disposal		-	(18)	-
		-	127	-
<b>Net earnings from discontinued operations</b>		48	127	49

## Corporate expenses

### ADMINISTRATION

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Direct administration	38	34	12%	112	114	(2)%
Restructuring charges	-	-	-	-	5	(100)%
Stock-based compensation	2	2	-	10	15	(33)%
<b>Total administration</b>	<b>40</b>	<b>36</b>	<b>11%</b>	<b>122</b>	<b>134</b>	<b>(9)%</b>

Direct administration costs were \$4 million higher for the third quarter compared to the same period last year due to the timing of expenditures. For the first nine months, direct administration costs were \$2 million lower due to the NUKEM advisory fee paid in 2013 (\$3 million).

Stock based compensation in the first nine months was \$5 million lower than in 2013 due to a change in the compensation program.

## EXPLORATION

In the third quarter, uranium exploration expenses were \$11 million, a decrease of \$9 million compared to the third quarter of 2013. Exploration expenses for the first nine months of the year decreased to \$35 million from \$56 million in 2013 as a result of decreased activity in Australia and a more focused effort on our core projects in Saskatchewan.

## INCOME TAXES

We recorded an income tax recovery of \$48 million in the third quarter of 2014 compared to an expense of \$9 million in the third quarter of 2013. The change in the net recovery was due to losses incurred in the third quarter of 2014 combined with a change in the distribution of earnings between jurisdictions. In 2014, we recorded losses of \$241 million in Canada compared to \$40 million in 2013 while earnings in foreign jurisdictions decreased to \$47 million from earnings of \$212 million, due to the impairment of our investment in GLE of \$184 million. The tax rate in Canada is higher than the average of the rates in the foreign jurisdictions in which our subsidiaries operate.

On an adjusted basis, we recorded an income tax recovery of \$32 million this quarter compared to an expense of \$19 million in the third quarter of 2013 due to higher pre-tax adjusted earnings in 2013, and a change in the distribution of earnings between jurisdictions.

In the first nine months of 2014, we recorded an income tax recovery of \$99 million compared to a recovery of \$65 million in 2013. The change in the net recovery was due to losses incurred in the first nine months of 2014 combined with a change in the distribution of earnings between jurisdictions. In 2014, we recorded losses of \$483 million in Canada compared to \$368 million in 2013, while earnings in foreign jurisdictions decreased to \$368 million from \$508 million. The tax rate in Canada is higher than the average of the rates in the foreign jurisdictions in which our subsidiaries operate.

On an adjusted basis, we recorded an income tax recovery of \$90 million for the first nine months compared to a recovery of \$38 million in 2013.

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
<b>Pre-tax adjusted earnings<sup>1</sup></b>				
Canada <sup>2</sup>	(169)	(12)	(435)	(274)
Foreign	229	238	552	530
Total pre-tax adjusted earnings	60	226	117	256
<b>Adjusted income taxes<sup>1</sup></b>				
Canada <sup>2</sup>	(43)	(1)	(111)	(64)
Foreign	11	20	21	26
<b>Adjusted income tax expense (recovery)</b>	<b>(32)</b>	19	<b>(90)</b>	(38)
<b>Effective tax rate</b>	<b>(53)%</b>	8%	<b>(77)%</b>	(15)%

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

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

## CRA DISCLOSURE

As previously reported, 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 2009 tax returns. We continue

to 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.

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) of the corporate entities involved in the transactions
- the price at which goods and services are sold by one member of a corporate group to another

The majority of our customers are located outside Canada and we established a marketing structure involving foreign companies including Cameco Europe Ltd., which entered into intercompany purchase and sale agreements with Cameco as well as uranium supply agreements with third parties. Cameco and Cameco Europe Ltd. made reasonable efforts to put arm's length transfer pricing arrangements in place, and these arrangements expose both parties to the risks and rewards accruing to them under this portfolio of purchase and sales contracts.

The intercompany contract prices are generally comparable to those established in sales contracts between arm's-length buyers and sellers entered into at that time. We have recorded a cumulative tax provision of \$79 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 September 30, 2014.

We are confident that we will be successful in our case; however, for the years 2003 through 2009, CRA issued notices of reassessment for approximately \$2.8 billion of additional income for Canadian tax purposes, which would result in a related tax expense of about \$820 million. The Canadian Income Tax Act includes provisions that require larger companies like us to pay 50% of the cash tax plus related interest and penalties at the time of reassessment. To date, under these provisions, after applying elective deductions and tax loss carryovers, we have been required to pay a net amount of \$219 million to CRA, which includes the amounts shown in the table below.

YEAR (\$ MILLIONS)	CASH TAXES	INTEREST AND INSTALMENT PENALTIES	TRANSFER PRICING PENALTIES	TOTAL
Prior to 2013	-	13	-	13
2013	1	9	36	46
2014	110	50	-	160
Total	111	72	36	219

Using the methodology we believe CRA will continue to apply, and including the \$2.8 billion already reassessed, we expect to receive notices of reassessment for a total of approximately \$5.7 billion of additional income as taxable in Canada for the years 2003 through 2013, which would result in a related tax expense of approximately \$1.6 billion. As well, CRA may continue to apply transfer pricing penalties to taxation years subsequent to 2007. As a result, we estimate that cash taxes and transfer pricing penalties would be between \$1.25 billion and \$1.3 billion. In addition, we estimate there would be interest and instalment penalties applied that would be material to us. While in dispute, we would be responsible for remitting 50% of the cash taxes and transfer pricing penalties (between \$625 million and \$650 million), plus related interest and instalment penalties assessed, which would be material to us.

Under the Canadian federal and provincial tax legislation, 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. The estimated amounts summarized in the table below reflect actual amounts paid and estimated future payments to CRA.

\$ MILLIONS	2003 - 2013	2014 <sup>2</sup>	2015 - 2016	2017 - 2023	TOTAL
50% of cash taxes and transfer pricing penalties payable in the period <sup>1</sup>	37	115 - 175	410 - 435	0 - 25	625 - 650

<sup>1</sup> These amounts do not include interest and instalment penalties, which totaled approximately \$72 million to September 30, 2014.

<sup>2</sup> These amounts include \$110 million already paid in 2014.

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 \$219 million already paid to date.

Our appeal of the 2003 reassessment is expected to be heard in the Tax Court of Canada in 2015. If this timing is adhered to, we expect to have a Tax Court decision during 2016.

#### **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 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**

- CRA will reassess us for the years 2010 through 2013 using a similar methodology as for the years 2003 through 2009, and the reassessments will be issued on the basis we expect
- we will be able to apply elective deductions and tax loss carryovers to the extent anticipated
- CRA will seek to impose transfer pricing penalties (10% of the income adjustment) in addition to interest charges and instalment penalties
- we will be substantially successful in our dispute with CRA and the cumulative tax provision of \$79 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**

- CRA reassesses us for years 2010 through 2013 using a different methodology than for years 2003 through 2009, 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 we currently expect
- 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 September 30, 2014:

- The value of the US dollar relative to the Canadian dollar was \$1.00 (US) for \$1.12 (Cdn), up from \$1.00 (US) for \$1.07 (Cdn) at June 30, 2014. The exchange rate averaged \$1.00 (US) for \$1.09 (Cdn) over the quarter.
- We had foreign currency contracts of \$1.8 billion (US) at September 30, 2014. The mark-to-market loss on all foreign exchange contracts was \$36 million compared to a \$23 million gain at June 30, 2014. The average exchange rate for USD currency contracts was \$1.00 (US) for \$1.11 (Cdn).

## Outlook for 2014

Our strategy is to profitably produce at a pace aligned with market signals, while maintaining the ability to respond to conditions as they evolve.

Our outlook for 2014 reflects the expenditures necessary to help us achieve our strategy. Our outlook for uranium production, uranium average unit cost of sales, fuel services production, fuel services sales volume, fuel services revenue, NUKEM sales volume, NUKEM revenue, consolidated revenue, consolidated tax rate, and capital expenditures has changed as explained 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 19 for details.

### 2014 FINANCIAL OUTLOOK

	CONSOLIDATED	URANIUM	FUEL SERVICES	NUKEM
<b>Production</b>	-	<b>22.6 to 22.8 million lbs</b>	<b>11 to 12 million kgU</b>	-
<b>Sales volume</b>	-	31 to 33 million lbs <sup>1</sup>	<b>Decrease 10% to 15%</b>	<b>7 to 8 million lbs U<sub>3</sub>O<sub>8</sub></b>
<b>Revenue compared to 2013</b>	<b>Decrease 0% to 5%</b>	Increase 5% to 10% <sup>2</sup>	<b>Decrease 0% to 5%</b>	<b>Decrease 25% to 30%</b>
<b>Average unit cost of sales (including D&amp;A)</b>	-	<b>Increase 5% to 10%</b> <sup>3</sup>	Increase 0% to 5%	Decrease 15% to 20%
<b>Direct administration costs compared to 2013<sup>4</sup></b>	Increase 0% to 5%	-	-	Increase 0% to 5%
<b>Exploration costs compared to 2013</b>	-	Decrease 25% to 30%	-	-
<b>Tax rate</b>	<b>Recovery of 40% to 45%</b>	-	-	Expense of 30% to 35%
<b>Capital expenditures</b>	<b>\$490 million</b>	-	-	-

<sup>1</sup> Our outlook for sales volume in our uranium segment does not include sales between our uranium, fuel services and NUKEM segments.

<sup>2</sup> Based on a uranium spot price of \$36.50 (US) per pound (the Ux spot price as of October 27, 2014), a long-term price indicator of \$45.00 (US) per pound (the Ux long-term indicator on October 27, 2014) and an exchange rate of \$1.00 (US) for \$1.09 (Cdn).

<sup>3</sup> This increase is based on the unit cost of sale for produced material and committed long-term purchases, and spot purchases made to September 30, 2014. If we make additional discretionary purchases during the remainder of 2014, then we expect the overall unit cost of sales could be different.

<sup>4</sup> Direct administration costs do not include stock-based compensation expenses. See page 11 for more information.

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 are on track to meet our 2014 uranium sales targets, and, therefore, expect to deliver 8 million to 10 million pounds in the fourth quarter.

We have decreased our uranium production outlook to be between 22.6 million and 22.8 million pounds U<sub>3</sub>O<sub>8</sub> (previously between 22.8 million and 23.3 million pounds) to reflect the impact of the labour disruption at McArthur River/Key Lake, as well as our expected production from Cigar Lake/McClean Lake. See *Uranium Q3 updates* starting on page 23 for more information.

Average unit cost of sales in our uranium segment are now expected to increase 5% to 10% (previously an increase of up to 5%). Cost of sales has increased due to higher unit production costs in light of lower overall production, and the continued payment of stand-by costs for the McClean Lake mill, which are charged to cost of sales.

In our fuel services segment, we have lowered our outlook for annual production to between 11 million and 12 million kgU (previously 12 million to 13 million kgU) due to a lower than expected final delivery from SFL under the toll conversion contract.

We now expect fuel services revenue to decrease by up to 5% (previously a 5% to 10% decrease) due to higher expected average realized prices. The increase in average realized prices is slightly offset by a lower outlook for expected sales volumes, which we now expect to decrease by 10% to 15% (previously a decrease of 5% to 10%) due to market conditions.

We now expect consolidated revenue to decrease by up to 5% (previously an increase of 5% to 10%), primarily as a result of the decrease in our sales and revenue outlook for NUKEM in the third quarter. We expect NUKEM to sell between 7 million and 8 million pounds (previously expected sales of 7 million to 9 million pounds). As a result, we now expect NUKEM's revenue to decrease by 25% to 30% (previously a decrease of 15% to 20%) due to the ongoing weakness in the uranium market.

We now expect a recovery of 40% to 45% for our consolidated tax rate (previously a 30% to 35% recovery) due to a change in the distribution of earnings between jurisdictions.

Capital expenditures are now expected to be \$490 million (previously \$550 million) due to timing of project work, resulting in the deferral of some costs to 2015.

## SENSITIVITY ANALYSIS

For the rest of 2014:

- a change of \$5 (US) per pound in both the Ux spot price (\$36.50 (US) per pound on October 27, 2014) and the Ux long-term price indicator (\$45.00 (US) per pound on October 27, 2014) would change revenue by \$20 million and net earnings by \$8 million
- a one-cent change in the value of the Canadian dollar versus the US dollar would effectively change revenue by \$3 million and adjusted net earnings by less than \$1 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).

## PRICE SENSITIVITY ANALYSIS: URANIUM SEGMENT

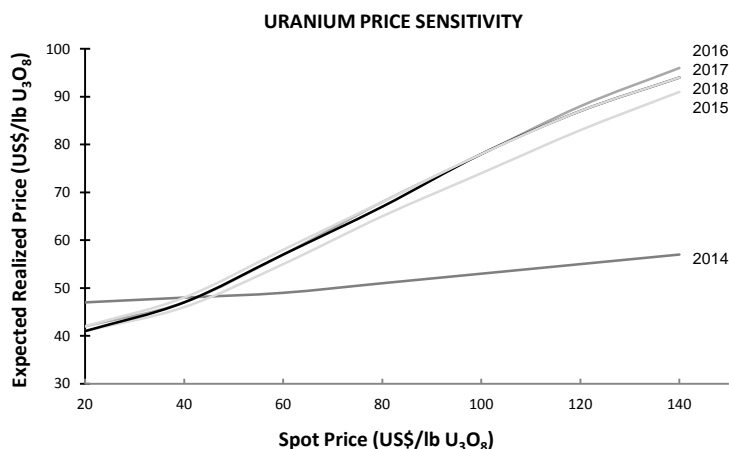
The table below and graph on the following page are not forecasts of prices we expect to receive. The prices we actually realize will be different from the prices shown in the table and graph. They are designed to indicate how the portfolio of long-term contracts we had in place on September 30, 2014 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 September 30, 2014, 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. 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 <sub>3</sub> O <sub>8</sub> )	\$20	\$40	\$60	\$80	\$100	\$120	\$140
<b>2014</b>	47	48	49	51	53	55	57
<b>2015</b>	41	46	55	65	74	83	91
<b>2016</b>	42	47	57	68	78	88	96
<b>2017</b>	41	47	57	67	78	87	94
<b>2018</b>	42	48	58	68	78	87	94





The table and graph illustrate the mix of long-term contracts in our September 30, 2014 portfolio, and are consistent with our marketing strategy. Both have been updated to reflect deliveries made and contracts entered into up to September 30, 2014.

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.

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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 30 million pounds per year, with commitment levels through 2016 higher than in 2017 and 2018
- excludes sales between our uranium, fuel services and NUKEM segments

**Deliveries**

- deliveries include best estimates of requirements contracts and contracts with volume flex provisions
- we defer a portion of deliveries under existing contracts for 2014

**Annual inflation**

- is 2% in the US

**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 18% 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.

## 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 2014 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 maintaining and prudently expanding our production capacity over the next several years. We have a number of alternatives to fund future capital requirements, 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 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 12 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 penalties. We have provided an estimate of the amount and timing of the expected cash taxes and transfer pricing penalties payable in the table on page 13.

### CASH FROM CONTINUING OPERATIONS

Cash from continuing operations was \$109 million higher this quarter than in 2013, largely due to a decrease in working capital requirements, partially offset by an increase in income taxes paid. Working capital required \$181 million less than in 2013 largely as a result of an increase in accounts payable during the period. Not including working capital requirements, our operating cash flows this quarter were lower by \$72 million.

Cash from continuing operations was \$117 million lower in the first nine months of 2014 than for the same period in 2013, largely due to an increase in income taxes paid, partially offset by a decrease in working capital requirements. Working capital required \$63 million less in 2014. Not including working capital requirements, our operating cash flows in the first nine months were lower by \$180 million.

### DEBT

We use debt to provide additional liquidity. We have sufficient borrowing capacity with unsecured lines of credit totalling about \$2.3 billion at September 30, 2014, unchanged from June 30, 2014. At September 30, 2014, we had approximately \$925 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 September 30, 2014, we met these financial covenants and do not expect our operating and investment activities for the remainder of 2014 to be constrained by them.

## LONG-TERM CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

We had two kinds of off-balance sheet arrangements at September 30, 2014:

- purchase commitments
- financial assurances

There have been no material changes to our long-term contractual obligations since December 31, 2013. Our long-term contractual obligations do not include our sales and purchase commitments. Please see our annual MD&A for more information.

## PURCHASE COMMITMENTS

SEPTEMBER 30 (\$ MILLIONS)	2014	2015 AND 2016	2017 AND 2018	2019 AND BEYOND	TOTAL
Purchase commitments <sup>1</sup>	171	793	221	436	1,621

<sup>1</sup> Denominated in US dollars, converted to Canadian dollars as of September 30, 2014 at the rate of \$1.12.

During the third quarter, our purchase commitments increased due to the signing of new long-term purchase commitments, which we believe will be beneficial for us as they have been in the past.

As of September 30, 2014, we had commitments of about \$1.6 billion (Cdn) for the following:

- approximately 31 million pounds of U<sub>3</sub>O<sub>8</sub> equivalent from 2014 to 2028
- approximately 3 million kgU as UF<sub>6</sub> in conversion services from 2014 to 2018
- over 1.2 million Separative Work Units (SWU) of enrichment services to meet existing forward sales commitments under agreements with a non-Western supplier

The SWU supplier does not have the right to terminate its agreements other than pursuant to customary event of default provisions.

## FINANCIAL ASSURANCES

At September 30, 2014, our financial assurances totaled \$925 million compared to \$910 million at June 30, 2014. The increase is mainly due to exchange rate fluctuations.

## BALANCE SHEET

(\$ MILLIONS)	SEPTEMBER 30, 2014	DECEMBER 31, 2013	CHANGE
Cash, short-term investments and bank overdraft	508	188	170%
Total debt	1,491	1,344	11%
Inventory	957	913	5%

Total cash and short-term investments at September 30, 2014 were \$508 million, or 170% higher than at December 31, 2013 due to completion of the sale of BPLP in March, and the issuance of the Series G debentures in June. Net debt at September 30, 2014 was \$983 million.

Total debt increased by \$147 million to \$1,491 million at September 30, 2014, due to the early redemption of our Series C debentures and the issuance of the Series G debentures. See note 9 of our interim financial statements for more detail.

Total product inventories increased to \$957 million, including NUKEM's inventories (\$329 million). The increase was largely due to an increase in NUKEM's inventory and was partially offset by a decrease in inventories in our uranium segment. Inventories in our uranium segment decreased as sales were higher than production and purchases in the first nine months of the year.

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

## Financial results by segment

### Uranium

(includes sales of 1 million pounds between our uranium, fuel services and NUKEM segments)

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Production volume (million lbs)	5.4	5.8	(7)%	15.1	16.2	(7)%
Sales volume (million lbs)	9.0	8.5	6%	23.3	20.1	16%
Average spot price (\$US/lb)	31.80	34.75	(8)%	31.90	39.21	(19)%
Average long-term price (\$US/lb)	44.33	53.00	(16)%	45.94	55.50	(17)%
Average realized price						
(\$US/lb)	45.87	50.73	(10)%	46.14	48.72	(5)%
(\$Cdn/lb)	49.83	52.59	(5)%	50.35	49.81	1%
Average unit cost of sales (\$Cdn/lb) (including D&A)	35.09	26.19	34%	34.81	29.91	16%
Revenue (\$ millions)	447	449	-	1,171	1,001	17%
Gross profit (\$ millions)	132	226	(42)%	362	400	(10)%
Gross profit (%)	30	50	(40)%	31	40	(23)%

#### THIRD QUARTER

Production volumes this quarter were 7% lower compared to the third quarter of 2013 due to a labour disruption at McArthur River/Key Lake that resulted in an unplanned shutdown. See *Uranium Q3 updates* starting on page 23 for more information.

Uranium revenues for the quarter remained flat compared to the third quarter of 2013 as a 6% increase in sales volumes was offset by a 5% decrease in the Canadian dollar average realized price.

Our realized prices this quarter were lower than the third quarter of 2013, primarily as a result of a decrease in the price realized on deliveries under market-related contracts, offset by the weakening of the Canadian dollar compared to 2013. In the third quarter of 2014, the exchange rate on the average realized price was \$1.00 (US) for \$1.09 (Cdn) over the quarter, compared to \$1.00 (US) for \$1.04 (Cdn) in the third quarter of 2013.

Total cost of sales (including D&A) increased by 41% (\$315 million compared to \$224 million in 2013). This was mainly the result of a 6% increase in sales volumes and an increase in the average non-cash unit cost of inventory.

The net effect was a \$94 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.

#### FIRST NINE MONTHS

Production volumes for the first nine months of the year were 7% lower than in the previous year due to lower production from McArthur/Key Lake, Crow Butte and Inkai. See *Uranium Q3 updates* starting on page 23 for more information.

For the first nine months of 2014, uranium revenues increased 17% compared to 2013, due to a 16% increase in sales volumes, and a 1% increase in the Canadian dollar average realized price. Sales in the first nine months were higher than in 2013 due to a change in the timing of deliveries, which can vary significantly and are driven by customer requests.

Our realized prices for the first nine months of 2014 were higher than 2013 primarily as a result of the weakening of the Canadian dollar compared to 2013, partially offset by a decrease in the price realized on deliveries under market related contracts. For the first nine months of 2014, the exchange rate on the average

realized price was \$1.00 (US) for \$1.09 (Cdn), compared to \$1.00 (US) for \$1.02 (Cdn) for the same period in 2013.

Total cost of sales (including D&A) increased by 35% (\$810 million compared to \$601 million in 2013) mainly due to a 16% increase in sales volumes, an increase in non-cash costs, and an increase in cash costs which was primarily the result of an increased cost of purchases. For the first nine months of 2014, total non-cash costs were \$176 million compared to \$92 million for the same period in 2013 due to an increase in the average non-cash unit cost of inventory, and the completion of several capital projects at our production facilities. As discussed in our annual MD&A, upon project completion, we begin to depreciate the asset, which increases the non-cash portion of our production costs.

The net effect was a \$38 million decrease in gross profit for the first nine months.

Previously, our most significant long-term purchase contract was the Russian Highly Enriched Uranium (HEU) commercial agreement, which ended in 2013. With that source of supply no longer available, and until Cigar Lake ramps up to full production, to meet our delivery commitments, we will make use of our inventories and we may purchase material where it is beneficial to do so. We expect our purchases will result in profitable sales; however, the cost of purchased material may be higher or lower than our other sources of supply, depending on market conditions.

The table below 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 SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
<b>Produced</b>						
Cash cost	17.91	17.68	1%	21.19	19.66	8%
Non-cash cost	7.31	10.63	(31)%	10.47	9.48	10%
Total production cost	25.22	28.31	(11)%	31.66	29.14	9%
Quantity produced (million lbs)	5.4	5.8	(7)%	15.1	16.2	(7)%
<b>Purchased</b>						
Cash cost	30.91	16.57	87%	37.25	23.25	60%
Quantity purchased (million lbs)	1.8	3.8	(53)%	3.4	8.7	(61)%
<b>Totals</b>						
Produced and purchased costs	26.64	23.66	13%	32.69	27.08	21%
Quantities produced and purchased (million lbs)	7.2	9.6	(25)%	18.5	24.9	(26)%

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

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

To facilitate a better understanding of these measures, the table on the following page presents a reconciliation of these measures to our unit cost of sales for the third quarters and the first nine months of 2014 and 2013.

## CASH AND TOTAL COST PER POUND RECONCILIATION

(\$ MILLIONS)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
<b>Cost of product sold</b>	<b>248.2</b>	198.2	<b>633.8</b>	509.4
<b>Add / (subtract)</b>				
Royalties	(21.5)	(6.2)	(56.7)	(38.3)
Standby charges	(5.8)	(9.1)	(24.8)	(26.3)
Other selling costs	(1.2)	(0.1)	(6.7)	3.4
Change in inventories	(67.3)	(17.3)	(99.0)	72.5
<b>Cash operating costs (a)</b>	<b>152.4</b>	165.5	<b>446.6</b>	520.7
<b>Add / (subtract)</b>				
Depreciation and amortization	66.7	25.6	175.9	91.7
Change in inventories	(27.3)	36.0	(17.7)	61.9
<b>Total operating costs (b)</b>	<b>191.8</b>	227.1	<b>604.8</b>	674.3
Uranium produced & purchased (millions lbs) (c)	7.2	9.6	18.5	24.9
<b>Cash costs per pound (a ÷ c)</b>	<b>21.16</b>	17.24	<b>24.14</b>	20.91
<b>Total costs per pound (b ÷ c)</b>	<b>26.64</b>	23.66	<b>32.69</b>	27.08

## Fuel services

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

HIGHLIGHTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Production volume (million kgU)	1.1	2.6	(58)%	8.9	12.2	(27)%
Sales volume (million kgU)	3.1	3.8	(18)%	8.2	11.1	(26)%
Average realized price (\$Cdn/kgU)	23.11	20.03	15%	22.21	18.63	19%
Average unit cost of sales (\$Cdn/kgU) (including D&A)	21.55	16.63	30%	19.46	15.58	25%
Revenue (\$ millions)	71	77	(8)%	182	208	(13)%
Gross profit (\$ millions)	5	13	(62)%	23	34	(32)%
Gross profit (%)	7	17	(59)%	13	16	(19)%

## THIRD QUARTER

Total revenue decreased by 8% due to an 18% decrease in sales volume, partially offset by a 15% increase in average realized price. Realized prices were higher, primarily due to the mix of fuel services products sold compared to 2013.

The total cost of products and services sold (including D&A) increased by 3% (\$66 million compared to \$64 million in the third quarter of 2013) due to an increase in the average unit cost of sales, offset by a decrease in sales volumes. When compared to 2013, the average unit cost of sales was 30% higher due to higher unit production costs as a result of lower production for UF<sub>6</sub> and the mix of fuel services products sold.

The net effect was an \$8 million decrease in gross profit.

## FIRST NINE MONTHS

In the first nine months of the year, total revenue decreased by 13% due to a 26% decrease in sales volumes, partially offset by a 19% increase in realized price.

The total cost of sales (including D&A) decreased 9% (\$159 million compared to \$174 million in 2013) due to a 26% decrease in sales volume offset by a 25% increase in the average unit cost of sales. The increase in the

average unit cost of sales was due to higher unit production costs as a result of lower production for UF<sub>6</sub> and UO<sub>2</sub> and the mix of fuel services products sold.

The net effect was an \$11 million decrease in gross profit.

## NUKEM

(\$ MILLIONS EXCEPT WHERE INDICATED)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2014	2013	CHANGE	2014	2013	CHANGE
Uranium sales (million lbs)	2.5	2.1	19%	4.7	5.6	(16)%
Revenue	97	93	4%	190	276	(31)%
Cost of product sold (including D&A)	88	100	(12)%	171	275	(38)%
Gross profit	9	(7)	229%	19	1	1800%
Net earnings	4	(6)	167%	5	(6)	183%
Adjustments on derivatives <sup>1</sup>	-	1	(100)%	1	(2)	150%
NUKEM inventory write-down (reversal) (net of tax)	(1)	11	(109)%	(1)	11	(109)%
Adjusted net earnings (loss) <sup>1</sup>	3	6	(50)%	5	3	67%

<sup>1</sup> Adjustments relate to unrealized gains and losses on foreign currency forward sales contracts (non-IFRS measure, see page 9).

### THIRD QUARTER

During the three months ended September 30, 2014, NUKEM delivered 2.5 million pounds of uranium, an increase of 0.4 million pounds due to timing of customer requirements. NUKEM revenues amounted to \$97 million compared to \$93 million in 2013, due to the increase in deliveries, which more than offset the impact of a decline in the uranium spot price relative to the previous year.

Gross profit amounted to \$9 million, compared to a loss of \$7 million in the previous year. In the third quarter of 2013, we recorded a charge of \$17 million (\$11 million after-tax), reflecting a decline in net realizable value of certain inventory. The unit cost of uranium sold was lower in 2014 due to the decline in the spot price. On a percentage basis, gross profits were 10% in 2014 compared to a loss of 7% in the prior year.

Adjusted net earnings for the third quarter of 2014 were \$3 million, compared to earnings of \$6 million (non-IFRS measure, see page 9) in 2013.

### FIRST NINE MONTHS

During the nine months ended September 30, 2014, NUKEM delivered 4.7 million pounds of uranium, a decrease of 0.9 million pounds due to timing of customer requirements and generally lower activity in the market. NUKEM revenues amounted to \$190 million due to the decline in deliveries and a lower realized price attributable to the decline in spot price relative to the prior year.

Gross profit amounted to \$19 million, compared to \$1 million in the first nine months of 2013. The prior year's margins were impacted by the inventory write-down described above. While sales were significantly lower in the current year, they were at higher margins. On a percentage basis, gross profits were 10% in 2014 compared to nil in the prior year.

Adjusted net earnings for the first nine months of 2014 amounted to \$5 million, compared to earnings of \$3 million (non-IFRS measure, see page 9) in 2013.

## Our operations

### Uranium – production overview

Production in our uranium segment this quarter was 0.4 million pounds lower than the third quarter of 2013. Production through the first nine months of the year was 1.1 million pounds lower than the same period in 2013. See below for more information.

## URANIUM PRODUCTION

CAMECO'S SHARE (MILLION LBS)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30			2014 PLAN <sup>1</sup>
	2014	2013	CHANGE	2014	2013	CHANGE	
McArthur River/Key Lake	3.1	3.8	(18)%	9.0	10.1	(11)%	12.8
Rabbit Lake	0.9	0.4	125%	2.0	2.0	-	4.1
Smith Ranch-Highland	0.5	0.5	-	1.5	1.2	25%	2.0
Crow Butte	0.1	0.2	(50)%	0.4	0.5	(20)%	0.6
Inkai	0.8	0.9	(11)%	2.2	2.4	(8)%	3.0
Cigar Lake	-	-	-	-	-	-	0.1 - 0.3
<b>Total</b>	<b>5.4</b>	<b>5.8</b>	<b>(7)%</b>	<b>15.1</b>	<b>16.2</b>	<b>(7)%</b>	<b>22.6 - 22.8</b>

<sup>1</sup> We previously updated our initial 2014 plan for Cigar Lake (to 0.0 – 0.5 million pounds from 1.0 – 1.5 million pounds) in our Q2 MD&A.

### Uranium Q3 updates

#### Operating properties

##### McArthur River/Key Lake

###### Production update

Production for the quarter was 18% lower compared to the same period last year due to a labour disruption in the third quarter that resulted in an unplanned shutdown of the operations for approximately 18 days. Production for the first nine months was 11% lower compared to 2013, primarily for the same reason. As a result, we now expect our share of production this year to be 12.8 million pounds compared to our previous forecast of 13.1 million pounds U<sub>3</sub>O<sub>8</sub>.

###### Operations update

The zone 4 north freezeway, and development through the unconformity and into the sandstone, have been completed. Production from the area is now underway.

###### Labour relations

On October 6, 2014, unionized employees at McArthur River and Key Lake accepted a new four-year contract that includes a 12% wage increase over the term of the agreement. The previous contract expired on December 31, 2013.

##### Cigar Lake

###### Production update

We resumed jet bore mining in the first week of September after a temporary suspension in July to allow the ore body to freeze more thoroughly in localized areas. Those areas have now met the desired temperature conditions. Ore slurry is being shipped from the mine to the McClean Lake mill.

###### Operations update

On October 8, 2014, AREVA's McClean Lake mill started producing uranium concentrate from ore mined at the Cigar Lake operation.

We now expect to produce between 0.2 million and 0.6 million packaged pounds (100% basis) in 2014, depending on the mine rampup at Cigar Lake and the continued success of milling operations at McClean Lake. We were able to narrow the range from the earlier expectation of up to 1 million packaged pounds (100% basis) as a result of the further experience gained through the commissioning process at the mine and mill, as well as the shorter time remaining in the year. We continue to capitalize costs at Cigar Lake until such time that commercial production is reached. Commercial production is reached when management determines that the mine is able to produce at a consistent or sustainably increasing level.



We expect to ramp up to our long-term annual production target of 18 million pounds U<sub>3</sub>O<sub>8</sub> (100% basis) by 2018.

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#### **Caution about forward-looking information relating to Cigar Lake**

This discussion of our expectations for Cigar Lake, including our plan for between 0.2 million and 0.6 million packaged pounds (100%) in 2014, and our target annual production of 18 million pounds U<sub>3</sub>O<sub>8</sub> at Cigar Lake by 2018 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.

#### **Rabbit Lake**

##### **Production update**

Production was 125% higher in the third quarter compared to the same period last year as a result of planned timing of production stopes, coupled with slightly improved ore grades. Production in the first nine months was unchanged compared to 2013, and we remain on track to achieve our annual production target.

#### **Smith Ranch-Highland and Crow Butte**

##### **Production update**

Production was 14% lower for the quarter compared to the same period last year due to a declining head grade at Crow Butte, where there are no new wellfields being developed under the current mine plan. Production in the first nine months was 12% higher compared to 2013 due to the addition of production from the North Butte satellite operation. Our annual production target for 2014 remains unchanged.

#### **Inkai**

##### **Production update**

Production was 11% lower in the third quarter and 8% lower in the first nine months of 2014 compared to the same periods last year due to delays in bringing on new wellfields as a result of abnormally heavy snowfall and a rapid spring melt earlier in the year.

The operation continues to recover and maintains an annual production forecast of 3.0 million pounds of U<sub>3</sub>O<sub>8</sub> (our share).

#### **Fuel services Q3 updates**

##### **Port Hope conversion services Cameco Fuel Manufacturing Inc.**

##### **Production update**

Fuel services produced 1.1 million kgU in the third quarter, 58% lower than the same period last year. The lower production is primarily due to an extended planned shutdown and lower demand, as well as a lower than expected final delivery from SFL under the toll conversion contract. Production for the first nine months was 8.9 million kgU, 27% lower compared to last year. We decreased our production target, so quarterly production is expected to be lower than in comparable periods in 2013.

We are now expecting to produce between 11 million and 12 million kgU (previously 12 million and 13 million kgU) due to a lower than expected final delivery from SFL under the toll conversion contract.

#### **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, mining and technology, Cameco

##### **Cigar Lake**

- Scott Bishop, manager, technical services, Cameco

##### **Inkai**

- Ken Gullen, technical director, international Cameco



## Additional information

### Critical accounting estimates

Due to 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 September 30, 2014, 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 September 30, 2014, 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 September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### New standards and interpretations

We were required to apply the following new standards and amendments to existing standards for our accounting periods beginning on or after January 1, 2014. These standards did not have a material impact on the financial statements.

- IAS 32, *Financial Instruments: Presentation*
- IFRIC 21, *Levies*
- IAS 36, *Impairment of Assets*

Refer to our 2013 Annual MD&A for a description of each of the above accounting standards and amendments to existing standards.

The following new standards and amendments to existing standards are not yet effective for the period ended September 30, 2014, and have not been applied in preparing the interim financial statements. The following standards and amendments are mandatory for our accounting periods beginning on or after January 1, 2016, unless otherwise noted. We intend to adopt the following amendments to existing standards in our financial statements for the annual period beginning on January 1, 2016, unless otherwise noted and do not expect the amendments to have a material impact on our financial statements.

IAS16, *Property, Plant and Equipment* (IAS 16) and IAS 38, *Intangible Assets* (IAS 38) - In May 2014, the IASB issued amendments to IAS16 and IAS 38. The amendments are to be applied prospectively. The amendments clarify the factors to be considered in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue, is not appropriate.

IFRS 11, *Joint Arrangements* (IFRS 11) - In May 2014, the IASB issued amendments to IFRS 11. The amendments in IFRS 11 are to be applied prospectively. The amendments clarify the accounting for the acquisition of interests in joint operations and require the acquirer to apply the principles of business combinations accounting in IFRS 3 *Business Combinations*.

IFRS 10, *Consolidated Financial Statements* (IFRS 10) and IAS 28, *Investments in Associate and Joint Ventures* (IAS 28) - In September 2014, the IASB issued amendments to IFRS 10 and IAS 28. The amendments provide clarification on the recognition of gains or losses upon the sale or contribution of assets between an investor and its associate or joint venture.

IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* (IFRS 5) - In September 2014, the IASB issued amendments to IFRS 5. The amendments are to be applied prospectively, with earlier application permitted. Assets are generally disposed of either through sale or through distribution to owners. The amendments clarify the application of IFRS 5 when changing from one of these disposal methods to the other.

IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) - In September 2014, the IASB issued amendments to IFRS 7. The amendments in IFRS 7 are to be applied retrospectively, with earlier application permitted. The amendments clarify the disclosure required for any continuing involvement in a transferred asset that has been derecognized. The amendments also provide guidance on disclosures regarding the offsetting of financial assets and financial liabilities in interim financial reports.

IAS 34 *Interim Financial Reporting* (IAS 34) – In September 2014, the IASB issued amendments to IAS 34. The amendments are to be applied retrospectively, with earlier application permitted. The amendments provide additional guidance on interim disclosures and whether they are provided in the interim financial statements or incorporated by cross-reference between the interim financial statements and other financial disclosures.

IFRS 9, *Financial Instruments* (IFRS 9) - In July, 2014, the International Accounting Standards Board (IASB) issued IFRS 9, 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. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. We do not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) - In May 2014, the IASB issued IFRS 15. IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. We intend to adopt IFRS 15 in our financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.



**Cameco Corporation**  
**2014 condensed consolidated interim financial statements**  
**(unaudited)**

October 28, 2014

## Cameco Corporation

### Consolidated statements of earnings

(Unaudited) (\$Cdn thousands, except per share amounts)	Note	(Revised - note 5)		(Revised - note 5)	
		Three months ended		Nine months ended	
		Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Revenue from products and services		\$587,136	\$596,578	\$1,508,336	\$1,461,302
Cost of products and services sold		365,704	306,728	906,030	859,897
Depreciation and amortization		78,550	62,262	215,995	179,753
<b>Cost of sales</b>		<b>444,254</b>	<b>368,990</b>	<b>1,122,025</b>	<b>1,039,650</b>
<b>Gross profit</b>		<b>142,882</b>	<b>227,588</b>	<b>386,311</b>	<b>421,652</b>
Administration		40,275	35,515	121,924	134,327
Impairment charges	4	195,995	-	195,995	-
Exploration		11,024	19,908	34,763	56,483
Research and development		1,619	1,014	3,312	4,967
Loss (gain) on sale of assets		1,617	(12)	7,173	117
<b>Earnings (loss) from operations</b>		<b>(107,648)</b>	<b>171,163</b>	<b>23,144</b>	<b>225,758</b>
Finance costs	13	(13,665)	(27,453)	(67,259)	(51,906)
Gains (losses) on derivatives	19	(72,752)	43,531	(71,273)	(19,763)
Finance income		2,039	1,178	5,278	5,540
Share of loss from equity-accounted investees		(1,929)	(1,388)	(15,431)	(3,468)
Other income (expense)	14	(222)	(14,838)	10,705	(16,577)
<b>Earnings (loss) before income taxes</b>		<b>(194,177)</b>	<b>172,193</b>	<b>(114,836)</b>	<b>139,584</b>
Income tax expense (recovery)	15	(47,758)	8,945	(98,826)	(64,545)
<b>Net earnings (loss) from continuing operations</b>		<b>(146,419)</b>	<b>163,248</b>	<b>(16,010)</b>	<b>204,129</b>
<b>Net earnings from discontinued operation</b>	5	<b>-</b>	<b>47,840</b>	<b>127,243</b>	<b>49,492</b>
<b>Net earnings (loss)</b>		<b>\$(146,419)</b>	<b>\$211,088</b>	<b>\$111,233</b>	<b>\$253,621</b>
<b>Net earnings (loss) attributable to:</b>					
Equity holders		\$(146,000)	\$211,267	\$112,544	\$254,159
Non-controlling interest		(419)	(179)	(1,311)	(538)
<b>Net earnings (loss)</b>		<b>\$(146,419)</b>	<b>\$211,088</b>	<b>\$111,233</b>	<b>\$253,621</b>
<b>Earnings (loss) per common share attributable to equity holders</b>					
Continuing operations		(0.37)	0.41	(0.04)	0.51
Discontinued operation		-	0.12	0.32	0.13
<b>Total basic earnings per share</b>	16	<b>\$(0.37)</b>	<b>\$0.53</b>	<b>\$0.28</b>	<b>\$0.64</b>
Continuing operations		(0.37)	0.41	(0.04)	0.51
Discontinued operation		-	0.12	0.32	0.13
<b>Total diluted earnings per share</b>	16	<b>\$(0.37)</b>	<b>\$0.53</b>	<b>\$0.28</b>	<b>\$0.64</b>

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of comprehensive income

(Revised -  
note 5)

(Revised -  
note 5)

(Unaudited) (\$Cdn thousands)	Note	Three months ended		Nine months ended	
		Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
<b>Net earnings (loss)</b>		<b>\$(146,419)</b>	<b>\$211,088</b>	<b>\$111,233</b>	<b>\$253,621</b>
Other comprehensive income (loss), net of taxes:	15				
Items that will not be reclassified to net earnings (loss):					
Remeasurements of defined benefit liability - discontinued operation		-	-	-	100,725
Items that are or may be reclassified to net earnings (loss):					
Exchange differences on translation of foreign operations		24,086	(27,072)	55,790	(30,537)
Gains (losses) on derivatives designated as cash flow hedges - discontinued operation		-	166	-	(71)
Gains on derivatives designated as cash flow hedges transferred to net earnings - discontinued operation		-	(924)	(300)	(3,200)
Unrealized gains (losses) on available-for-sale assets		49	-	(393)	-
Other comprehensive income (loss), net of taxes		<b>24,135</b>	<b>(27,830)</b>	<b>55,097</b>	<b>66,917</b>
<b>Total comprehensive income (loss)</b>		<b>\$(122,284)</b>	<b>\$183,258</b>	<b>\$166,330</b>	<b>\$320,538</b>
Comprehensive income (loss) from continuing operations		\$(122,284)	\$136,176	\$39,387	\$173,592
Comprehensive income from discontinued operation	5	-	47,082	126,943	146,946
<b>Total comprehensive income (loss)</b>		<b>\$(122,284)</b>	<b>\$183,258</b>	<b>\$166,330</b>	<b>\$320,538</b>
<b>Other comprehensive income (loss) attributable to:</b>					
Equity holders		\$24,103	\$(27,802)	\$55,039	\$66,887
Non-controlling interest		32	(28)	58	30
<b>Other comprehensive income (loss) for the period</b>		<b>\$24,135</b>	<b>\$(27,830)</b>	<b>\$55,097</b>	<b>\$66,917</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders		\$(121,897)	\$183,465	\$167,583	\$321,046
Non-controlling interest		(387)	(207)	(1,253)	(508)
<b>Total comprehensive income (loss) for the period</b>		<b>\$(122,284)</b>	<b>\$183,258</b>	<b>\$166,330</b>	<b>\$320,538</b>

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of financial position

(Unaudited) (\$Cdn thousands)	Note	As at	
		Sep 30/14	Dec 31/13
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$478,777	\$229,135
Short-term investments		28,848	-
Accounts receivable		336,398	431,375
Current tax assets		4,651	2,598
Inventories	7	956,681	913,315
Supplies and prepaid expenses		134,874	177,632
Current portion of long-term receivables, investments and other	8	5,324	3,775
<b>Total current assets</b>		<b>1,945,553</b>	<b>1,757,830</b>
Property, plant and equipment			
Goodwill and intangible assets		5,353,610	5,040,993
Long-term receivables, investments and other	4, 8	196,955	194,031
Investments in equity-accounted investees	4, 5	441,899	287,548
Deferred tax assets		4,940	492,712
Deferred tax assets		387,588	266,203
<b>Total non-current assets</b>		<b>6,384,992</b>	<b>6,281,487</b>
<b>Total assets</b>		<b>\$8,330,545</b>	<b>\$8,039,317</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Bank overdraft		\$ -	\$41,226
Accounts payable and accrued liabilities		346,917	437,941
Current tax liabilities		38,071	54,708
Short-term debt		-	50,230
Dividends payable		39,579	39,548
Current portion of other liabilities	10	66,744	60,685
Current portion of provisions	11	27,678	20,213
<b>Total current liabilities</b>		<b>518,989</b>	<b>704,551</b>
Long-term debt			
Other liabilities	9	1,490,942	1,293,383
Provisions	10	135,328	79,380
Deferred tax liabilities	11	731,523	570,700
Deferred tax liabilities		41,007	41,909
<b>Total non-current liabilities</b>		<b>2,398,800</b>	<b>1,985,372</b>
Shareholders' equity			
Share capital		1,862,623	1,854,671
Contributed surplus		193,321	186,382
Retained earnings		3,307,940	3,314,049
Other components of equity		48,202	(6,837)
<b>Total shareholders' equity attributable to equity holders</b>		<b>5,412,086</b>	<b>5,348,265</b>
Non-controlling interest		670	1,129
<b>Total shareholders' equity</b>		<b>5,412,756</b>	<b>5,349,394</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$8,330,545</b>	<b>\$8,039,317</b>

Commitments and contingencies [notes 6,11,15]

See accompanying notes to condensed consolidated interim financial statements.

## Cameco Corporation

### Consolidated statements of changes in equity

(\$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, 2014	\$1,854,671	\$186,382	\$3,314,049	\$(7,165)	\$300	\$28	\$5,348,265	\$1,129	\$5,349,394
Net earnings (loss)	-	-	112,544	-	-	-	112,544	(1,311)	111,233
Other comprehensive income (loss)	-	-	-	55,732	(300)	(393)	55,039	58	55,097
<b>Total comprehensive income for the period</b>	-	-	112,544	55,732	(300)	(393)	167,583	(1,253)	166,330
Share-based compensation	-	12,310	-	-	-	-	12,310	-	12,310
Share options exercised	7,952	(5,371)	-	-	-	-	2,581	-	2,581
Dividends	-	-	(118,653)	-	-	-	(118,653)	-	(118,653)
Transactions with owners - contributed equity	-	-	-	-	-	-	-	794	794
<b>Balance at September 30, 2014</b>	<b>\$1,862,623</b>	<b>\$193,321</b>	<b>\$3,307,940</b>	<b>\$48,567</b>	<b>\$-</b>	<b>\$(365)</b>	<b>\$5,412,086</b>	<b>\$670</b>	<b>\$5,412,756</b>
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 (loss)	-	-	254,159	-	-	-	254,159	(538)	253,621
Other comprehensive income (loss)	-	-	100,725	(30,567)	(3,271)	-	66,887	30	66,917
<b>Total comprehensive income for the period</b>	-	-	354,884	(30,567)	(3,271)	-	321,046	(508)	320,538
Share-based compensation	-	15,496	-	-	-	-	15,496	-	15,496
Share options exercised	2,886	(1,516)	-	-	-	-	1,370	-	1,370
Dividends	-	-	(118,629)	-	-	-	(118,629)	-	(118,629)
Change in ownership interest in subsidiary	-	-	(1,188)	-	-	-	(1,188)	1,188	-
<b>Balance at September 30, 2013</b>	<b>\$1,854,393</b>	<b>\$182,932</b>	<b>\$3,148,201</b>	<b>\$(26,867)</b>	<b>\$820</b>	<b>\$-</b>	<b>\$5,159,479</b>	<b>\$1,260</b>	<b>\$5,160,739</b>

See accompanying notes to condensed consolidated interim financial statements.

# Cameco Corporation

## Consolidated statements of cash flows

(Revised -  
note 5)

(Revised -  
note 5)

(Unaudited) (\$Cdn thousands)	Note	Three months ended		Nine months ended	
		Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
<b>Operating activities</b>					
Net earnings (loss)		\$(146,419)	\$211,088	\$111,233	\$253,621
Adjustments for:					
Depreciation and amortization		78,550	62,262	215,995	179,753
Deferred charges		64,173	8,878	53,329	10,958
Unrealized losses (gains) on derivatives		63,217	(52,768)	13,873	10,414
Share-based compensation	18	3,472	3,518	12,310	15,496
Loss (gain) on sale of assets		1,617	(12)	7,173	117
Finance costs	13	13,665	27,453	67,259	51,906
Finance income		(2,039)	(1,178)	(5,278)	(5,540)
Share of loss from equity-accounted investees		1,929	1,388	15,431	3,468
Impairment charges	4	195,995	-	195,995	-
Other expense (income)		57	14,839	(423)	16,577
Discontinued operation	5	-	-	(127,243)	-
Income tax expense (recovery)	15	(47,758)	8,945	(98,826)	(64,545)
Interest received		1,957	1,024	4,154	4,576
Income taxes paid		(12,173)	-	(220,034)	(62,462)
Income taxes refunded		-	2,833	-	10,993
Other operating items	17	46,584	(134,362)	(605)	(64,019)
<b>Net cash provided by continuing operations</b>		<b>262,827</b>	<b>153,908</b>	<b>244,343</b>	<b>361,313</b>
Net cash provided by (used in) discontinued operation	5	-	(18,326)	-	6,724
<b>Net cash provided by operations</b>		<b>262,827</b>	<b>135,582</b>	<b>244,343</b>	<b>368,037</b>
<b>Investing activities</b>					
Additions to property, plant and equipment		(127,070)	(159,899)	(350,200)	(499,076)
Acquisitions, net of cash	6	-	-	-	(126,197)
Repayment of debt acquired on acquisition of business	6	-	-	-	(118,068)
Decrease (increase) in short-term investments		109,417	-	(28,848)	49,535
Decrease (increase) in long-term receivables, investments and other		606	(11,979)	40	(8,296)
Proceeds from sale of property, plant and equipment		1	-	677	-
<b>Net cash used in investing (continuing operations)</b>		<b>(17,046)</b>	<b>(171,878)</b>	<b>(378,331)</b>	<b>(702,102)</b>
Net cash provided by investing (discontinued operation)	5	-	-	447,096	-
<b>Net cash provided by (used in) investing</b>		<b>(17,046)</b>	<b>(171,878)</b>	<b>68,765</b>	<b>(702,102)</b>
<b>Financing activities</b>					
Increase in debt		-	-	496,357	-
Decrease in debt		(309,994)	(17,814)	(351,043)	(33,107)
Interest paid		(26,310)	(21,359)	(57,624)	(55,235)
Contributions from non-controlling interest		794	-	794	-
Proceeds from issuance of shares, stock option plan		295	564	6,209	2,260
Dividends paid		(39,578)	(39,543)	(118,622)	(118,618)
<b>Net cash used in financing</b>		<b>(374,793)</b>	<b>(78,152)</b>	<b>(23,929)</b>	<b>(204,700)</b>
Increase (decrease) in cash and cash equivalents net of bank overdraft		(129,012)	(114,448)	289,179	(538,765)
Exchange rate changes on foreign currency cash balances		2,238	(971)	1,689	5,477
Cash and cash equivalents net of bank overdraft, beginning of period		605,551	331,630	187,909	749,499
<b>Cash and cash equivalents net of bank overdraft at end of period</b>		<b>\$478,777</b>	<b>\$216,211</b>	<b>\$478,777</b>	<b>\$216,211</b>
<b>Cash and cash equivalents is comprised of:</b>					
Cash				\$112,814	\$87,848
Cash equivalents				365,963	184,926
Cash and cash equivalents				<b>478,777</b>	<b>272,774</b>
Bank overdraft				-	(56,563)
Cash and cash equivalents and bank overdraft				<b>\$478,777</b>	<b>\$216,211</b>

See accompanying notes to condensed consolidated interim financial statements.



# Cameco Corporation

## Notes to condensed consolidated interim financial statements

(Unaudited)

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

### 1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The condensed consolidated interim financial statements as at and for the period ended September 30, 2014 comprise Cameco Corporation and its subsidiaries (collectively, the Company or Cameco) and the Company's interests 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.

### 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, 2013.

These condensed consolidated interim financial statements were authorized for issuance by the Company's board of directors on October 28, 2014.

#### 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 is presented in Canadian dollars and amounts presented in tabular format have been rounded to the nearest thousand except per share amounts and where otherwise noted.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis at each reporting date:

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Derivative financial instruments at fair value through profit and loss	Fair value
Non-derivative financial instruments at fair value through profit and loss	Fair value
Available-for-sale financial assets	Fair value
Liabilities for cash-settled share-based payment arrangements	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

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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, 2013.

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 5 of the December 31, 2013 consolidated financial statements.

### **3. Accounting standards**

#### **A. Changes in accounting policy**

On January 1, 2014, Cameco adopted the following new standards and amendments as issued by the International Accounting Standards Board (IASB): IAS 32, *Financial Instruments: Presentation* (IAS 32), International Financial Reporting Interpretations Committee 21, *Levies* (IFRIC 21) and IAS 36, *Impairment of Assets* (IAS 36).

##### **i. Financial assets and financial liabilities**

IAS 32 clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. As Cameco does not have a practice of offsetting its financial instruments, the adoption of IAS 32 has had no effect on the financial reporting of Cameco.

##### **ii. Levies**

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Cameco's current accounting treatment for levies is consistent with the requirements of IFRIC 21, such that the adoption of IFRIC 21 has had no material impact on the financial reporting of Cameco.

##### **iii. Disclosure of recoverable amounts**

The amendments in IAS 36 reverse the unintended requirement in IFRS 13 to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under these amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. As a result, the adoption of IAS 36 has had no effect on the financial reporting of Cameco.

#### **B. New standards and interpretations not yet adopted**

A number of new standards and amendments to existing standards are not yet effective for the period ended September 30, 2014, and have not been applied in preparing these condensed consolidated interim financial statements. The following standards and amendments to existing standards have been published and are mandatory for Cameco's accounting periods beginning on or after January 1, 2016, unless otherwise noted. Cameco intends to adopt the following amendments to existing standards in its financial statements for the annual period beginning on January 1, 2016, unless otherwise noted and does not expect the amendments to have a material impact on the financial statements.

##### **i. Property, plant and equipment and intangible assets**

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. The amendments are to be applied prospectively. The amendments clarify the factors to be considered in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue is not appropriate.

##### **ii. Joint arrangements**

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* (IFRS 11). The amendments in IFRS 11 are to be applied prospectively. The amendments clarify the accounting for the acquisition of interests in joint operations and require the acquirer to apply the principles of business combinations accounting in IFRS 3, *Business Combinations*.

### **iii. Sale or contribution of assets**

In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*. The amendments provide clarification on the recognition of gains or losses upon the sale or contribution of assets between an investor and its associate or joint venture.

### **iv. Noncurrent assets held for sale and discontinued operations**

In September 2014, the IASB issued amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* (IFRS 5). The amendments are to be applied prospectively, with earlier application permitted. Assets are generally disposed of either through sale or through distribution to owners. The amendments to IFRS 5 clarify the application of IFRS 5 when changing from one of these disposal methods to the other.

### **v. Financial instruments disclosures**

In September 2014, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* (IFRS 7). The amendments in IFRS 7 are to be applied retrospectively, with earlier application permitted. The amendments to IFRS 7 clarify the disclosure required for any continuing involvement in a transferred asset that has been derecognized. The amendments also provide guidance on disclosures regarding the offsetting of financial assets and financial liabilities in interim financial reports.

### **vi. Interim financial reporting**

In September 2014, the IASB issued amendments to IAS 34, *Interim Financial Reporting* (IAS 34). The amendments to IAS 34 are to be applied retrospectively, with earlier application permitted. The amendments provide additional guidance on interim disclosures and whether they are provided in the interim financial statements or incorporated by cross-reference between the interim financial statements and other financial disclosures.

### **vii. Financial instruments**

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9). 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. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard 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.

### **viii. Revenue**

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15). IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. Cameco intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

## **4. Impairment**

### **A. GE-Hitachi Global Laser Enrichment LLC (GLE)**

During the quarter, a decision was made by the majority partner of GLE to significantly reduce funding of the project. As a result, Cameco recognized an impairment charge of \$183,615,000, which represents the full amount of Cameco's investment.

GLE is testing a third-generation technology that, if successful, will use lasers to commercially enrich uranium. The technology is unique to the industry, is inherently risky and the significant reduction of funding introduces a further level of risk to this project. Because the funding reduction significantly jeopardizes the viability of the project, Cameco determined the fair value less costs to sell to be nil and as such recognized an impairment charge for the full amount of the asset. Future contributions to the project will be reflected in net earnings.

## B. GoviEx Uranium

GoviEx Uranium (“GoviEx”) recently became listed on the Canadian Securities Exchange. With the availability of a quoted market price, Cameco determined that there was a significant decline in the fair value of our investment in GoviEx and as a result, an impairment charge of \$12,380,000 was recorded.

## 5. Discontinued operation

On March 27, 2014, Cameco completed the sale of its 31.6% limited partnership interest in Bruce Power L.P. (BPLP) which operates the four Bruce B nuclear reactors in Ontario. The aggregate sale price for Cameco's interest in BPLP and certain related entities was \$450,000,000. The sale has been accounted for effective January 1, 2014. Cameco received net proceeds of approximately \$447,096,000 and realized an after tax gain of \$127,243,000 on this divestiture.

As a result of the transaction, Cameco presented the results of BPLP as a discontinued operation and revised its statement of earnings, statement of comprehensive income and statement of cash flows to reflect this change in presentation. Net earnings from this discontinued operation are as follows:

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Share of earnings from BPLP and related entities	\$ -	\$62,937	\$ -	\$65,112
Tax expense	-	15,097	-	15,620
	-	47,840	-	49,492
Gain on disposal of BPLP and related entities	-	-	144,912	-
Tax expense on disposal	-	-	17,669	-
	-	-	127,243	-
<b>Net earnings from discontinued operation</b>	<b>\$ -</b>	<b>\$47,840</b>	<b>\$127,243</b>	<b>\$49,492</b>

## 6. Acquisition of NUKEM Energy GmbH (NUKEM)

On January 9, 2013, Cameco completed the acquisition of NUKEM from Advent International and other shareholders, through the purchase of all the outstanding shares for cash consideration of \$148,302,000 (US).

While Cameco received the economic benefit of owning NUKEM as of January 1, 2012, the results of NUKEM were 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 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:

<b>Net assets acquired (USD)</b>	
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
<b>Total</b>	<b>\$148,302</b>

An advisory fee of \$2,980,000 has been included in administration expense in the consolidated statement of earnings for the period ended September 30, 2013.

As at September 30, 2014, NUKEM had the following commitments (in USD) to purchase uranium and fuel services products:

2014	2015	2016	2017	2018	Thereafter	Total
\$31,380	240,030	247,154	38,927	47,649	168,790	\$773,930

## 7. Inventories

	Sep 30/14	Dec 31/13
<b>Uranium</b>		
Concentrate	\$425,866	\$550,305
Broken ore	26,344	4,572
	<b>452,210</b>	554,877
<b>NUKEM</b>	<b>328,811</b>	208,217
<b>Fuel services</b>	<b>175,660</b>	150,221
<b>Total</b>	<b>\$956,681</b>	\$913,315

For the quarter ended September 30, 2014, Cameco expensed \$409,700,000 of inventory as cost of sales (2013 - \$371,000,000). For the nine months ended September 30, 2014, Cameco expensed \$1,011,900,000 of inventory as cost of sales (2013 - \$978,400,000).

Included in cost of sales for the period ended September 30, 2014 is a \$4,400,000 net write-down of NUKEM inventory which Cameco recorded to reflect net realizable value (2013 - \$17,000,000).

## 8. Long-term receivables, investments and other

	Sep 30/14	Dec 31/13
Investments in equity securities [note 4] [note 19]	\$10,836	\$22,805
Derivatives [note 19]	688	7,391
Advances receivable from JV Inkai LLP [note 21]	92,398	95,319
Investment tax credits	88,639	82,177
Amounts receivable related to tax dispute [note 15]	219,424	59,475
Other	35,238	24,156
	447,223	291,323
Less current portion	(5,324)	(3,775)
<b>Net</b>	<b>\$441,899</b>	<b>\$287,548</b>

## 9. Long-term debt

	Sep 30/14	Dec 31/13
Unsecured debentures		
Series C - 4.70% debentures due July 16, 2014	\$ -	\$299,537
Series D - 5.67% debentures due September 2, 2019	497,344	497,003
Series E - 3.75% debentures due November 14, 2022	397,798	397,626
Series F - 5.09% debentures due November 14, 2042	99,227	99,217
Series G - 4.19% debentures due June 24, 2024	496,573	-
<b>Total</b>	<b>\$1,490,942</b>	<b>\$1,293,383</b>

On June 24, 2014, Cameco issued \$500,000,000 of Series G debentures and announced the early redemption of the outstanding Series C debentures. The Series G debentures bear interest at a rate of 4.19% per annum. The net proceeds of the issue after deducting expenses were approximately \$496,400,000. The debentures mature on June 24, 2024, and are being amortized at an effective interest rate of 4.28%. The \$300,000,000 principal amount of the Series C debentures was redeemed on July 16, 2014. The Company incurred total charges of \$12,135,000 in relation to the early redemption of these debentures (note 13).

## 10. Other liabilities

	Sep 30/14	Dec 31/13
Deferred sales	\$113,157	\$55,126
Derivatives [note 19]	38,031	30,923
Accrued pension and post-retirement benefit liability	43,996	45,931
Other	6,888	8,085
	202,072	140,065
Less current portion	(66,744)	(60,685)
<b>Net</b>	<b>\$135,328</b>	<b>\$79,380</b>

## 11. Provisions

	Reclamation	Waste disposal	Total
Beginning of year	\$573,942	\$16,971	\$590,913
Changes in estimates and discount rates	150,224	414	150,638
Provisions used during the period	(7,845)	(1,339)	(9,184)
Unwinding of discount	14,910	330	15,240
Impact of foreign exchange	11,594	-	11,594
<b>End of year</b>	<b>\$742,825</b>	<b>\$16,376</b>	<b>\$759,201</b>
Current	\$25,868	\$1,810	\$27,678
Non-current	716,957	14,566	731,523
	<b>\$742,825</b>	<b>\$16,376</b>	<b>\$759,201</b>

## 12. Share capital

At September 30, 2014, there were 395,791,522 common shares outstanding. Options in respect of 8,403,672 shares are outstanding under the stock option plan and are exercisable up to 2022. For the quarter ended September 30, 2014, 14,700 options were exercised resulting in the issuance of shares (2013 - 28,750). For the nine months ended September 30, 2014, 314,292 options were exercised resulting in the issuance of shares (2013 - 115,906).

## 13. Finance costs

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Interest on long-term debt	\$18,010	\$15,798	\$49,866	\$49,992
Unwinding of discount on provisions	5,176	4,116	15,240	12,272
Other charges	1,591	1,294	4,546	4,228
Loss on redemption of Series C debentures [note 9]	-	-	12,135	-
Foreign exchange losses (gains)	(12,070)	5,983	(17,714)	(15,037)
Interest on short-term debt	958	262	3,186	451
<b>Total</b>	<b>\$13,665</b>	<b>\$27,453</b>	<b>\$67,259</b>	<b>\$51,906</b>

## 14. Other income (expense)

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Contract settlement	\$ -	\$ -	\$28,481	\$ -
Contract termination fee	-	-	(18,304)	-
Loss on sale of investments	-	(14,838)	-	(14,838)
Other	(222)	-	528	(1,739)
<b>Total</b>	<b>\$(222)</b>	<b>\$(14,838)</b>	<b>\$10,705</b>	<b>\$(16,577)</b>

In the first quarter of 2014, Cameco recorded an early termination fee of \$18,304,000 incurred as a result of the cancellation of our toll conversion agreement with Springfields Fuels Ltd., which was to expire in 2016.

In the second quarter of 2014, Cameco recorded a gain with respect to a long-term supply contract with one of its utility customers. While the contract is effective for the years 2011 through 2017, the \$28,481,000 reflected as income from contract settlement relates only to the deliveries that the customer refused to take in 2012 and 2013. For the remainder of the contract,

the customer will be responsible for either buying the full yearly contract quantity, or compensating Cameco for any loss if they do not accept delivery of the full quantities.

## 15. Income taxes

### A. Earnings and income taxes by jurisdiction

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Earnings (loss) from continuing operations before income taxes				
Canada	<b>\$(241,077)</b>	\$(39,941)	<b>\$(483,191)</b>	\$(368,046)
Foreign	<b>46,900</b>	212,134	<b>368,355</b>	507,630
	<b>(194,177)</b>	172,193	<b>(114,836)</b>	139,584
Current income taxes				
Canada	<b>\$4,918</b>	\$(10,684)	<b>\$(1,550)</b>	\$(13,053)
Foreign	<b>18,115</b>	22,026	<b>37,503</b>	49,841
	<b>23,033</b>	11,342	<b>35,953</b>	36,788
Deferred income taxes				
Canada	<b>\$(64,528)</b>	\$5,790	<b>\$(118,714)</b>	\$(72,906)
Foreign	<b>(6,263)</b>	(8,187)	<b>(16,065)</b>	(28,427)
	<b>(70,791)</b>	(2,397)	<b>(134,779)</b>	(101,333)
<b>Income tax expense (recovery)</b>	<b>\$(47,758)</b>	\$8,945	<b>\$(98,826)</b>	\$(64,545)

Cameco has recorded \$387,588,000 of deferred tax assets (December 31, 2013 - \$266,203,000). Based on projections of future income, realization of these deferred tax assets is probable and consequently a deferred tax asset has been recorded.

### B. Reassessments

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., 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 2009, which in aggregate have increased Cameco's income for Canadian tax purposes by approximately \$2,795,000,000. 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 CRA will continue to apply, and including the \$2,795,000,000 already reassessed, we expect to receive notices of reassessment for a total of approximately \$5,700,000,000 for the years 2003 through 2013, which would increase Cameco's income for Canadian tax purposes and result in a related tax expense of approximately \$1,600,000,000. In addition to penalties already imposed, CRA may continue to apply penalties to taxation years subsequent to 2007. As a result, we estimate that cash taxes and transfer pricing penalties would be between \$1,250,000,000 and \$1,300,000,000. In addition, we estimate there would be interest and instalment penalties applied that would be material to Cameco. While in dispute, we would be responsible for remitting 50% of the cash taxes and transfer pricing penalties, or between \$625,000,000 and \$650,000,000, plus related interest and instalment penalties assessed, which would be material to Cameco.

Under Canadian federal and provincial tax legislation, 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, we expect to recover the amounts remitted to CRA, including cash taxes, interest and penalties totalling \$219,424,000 already paid as at September 30, 2014 (December 31, 2013 - \$59,475,000) (note 8).



The case on the 2003 reassessment is expected to go to trial in 2015. If this timing is adhered to, we expect to have a Tax Court decision during 2016.

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 \$79,000,000. 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.

Further to Cameco's decision to contest CRA's reassessments, Cameco is pursuing its appeal rights under Canadian federal and provincial tax legislation.

### C. Other comprehensive income (loss)

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

#### For the three months ended September 30, 2014

	Before tax	Income tax expense	Net of tax
Exchange differences on translation of foreign operations	\$24,086	\$ -	\$24,086
Unrealized gains on available-for-sale assets	57	(8)	49
	<b>\$24,143</b>	<b>\$(8)</b>	<b>\$24,135</b>

#### For the three months ended September 30, 2013

	Before tax	Income tax recovery (expense)	Net of tax
Exchange differences on translation of foreign operations	\$(27,072)	\$ -	\$(27,072)
Gains on derivatives designated as cash flow hedges - discontinued operation	221	(55)	166
Gains on derivatives designated as cash flow hedges transferred to net earnings - discontinued operation	(1,232)	308	(924)
	<b>\$(28,083)</b>	<b>\$253</b>	<b>\$(27,830)</b>

**For the nine months ended September 30, 2014**

	Before tax	Income tax recovery	Net of tax
Exchange differences on translation of foreign operations	\$55,790	\$ -	\$55,790
Gains on derivatives designated as cash flow hedges transferred to net earnings - discontinued operation	(400)	100	(300)
Unrealized losses on available-for-sale assets	(454)	61	(393)
	<b>\$54,936</b>	<b>\$161</b>	<b>\$55,097</b>

**For the nine months ended September 30, 2013**

	Before tax	Income tax recovery (expense)	Net of tax
Remeasurements of defined benefit liability - discontinued operation	\$134,300	\$(33,575)	\$100,725
Exchange differences on translation of foreign operations	(30,537)	-	(30,537)
Losses on derivatives designated as cash flow hedges - discontinued operation	(95)	24	(71)
Gains on derivatives designated as cash flow hedges transferred to net earnings - discontinued operation	(4,267)	1,067	(3,200)
	<b>\$99,401</b>	<b>\$(32,484)</b>	<b>\$66,917</b>

**16. Per share amounts**

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 2014 was 395,722,618 (2013 - 395,413,451).

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
<b>Basic earnings (loss) per share computation</b>				
Net earnings (loss) attributable to equity holders	<b>\$(146,000)</b>	\$211,267	<b>\$112,544</b>	\$254,159
Weighted average common shares outstanding	<b>395,787</b>	395,459	<b>395,723</b>	395,413
<b>Basic earnings (loss) per common share</b>	<b>\$(0.37)</b>	\$0.53	<b>\$0.28</b>	\$0.64
<b>Diluted earnings (loss) per share computation</b>				
Net earnings (loss) attributable to equity holders	<b>\$(146,000)</b>	\$211,267	<b>\$112,544</b>	\$254,159
Weighted average common shares outstanding	<b>395,787</b>	395,459	<b>395,723</b>	395,413
Dilutive effect of stock options	<b>79</b>	69	<b>353</b>	116
Weighted average common shares outstanding, assuming dilution	<b>395,866</b>	395,528	<b>396,076</b>	395,529
<b>Diluted earnings (loss) per common share</b>	<b>\$(0.37)</b>	\$0.53	<b>\$0.28</b>	\$0.64

## 17. Statements of cash flows

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Changes in non-cash working capital:				
Accounts receivable	<b>\$(59,678)</b>	\$(55,780)	<b>\$99,247</b>	\$191,379
Inventories	<b>52,016</b>	(23,474)	<b>(16,120)</b>	(153,903)
Supplies and prepaid expenses	<b>(4,832)</b>	(1,500)	<b>45,344</b>	(15,310)
Accounts payable and accrued liabilities	<b>51,538</b>	(66,472)	<b>(111,759)</b>	(83,197)
Reclamation payments	<b>(4,986)</b>	(3,055)	<b>(9,184)</b>	(7,505)
Other	<b>12,526</b>	15,919	<b>(8,133)</b>	4,517
<b>Other operating items</b>	<b>\$46,584</b>	\$(134,362)	<b>\$(605)</b>	\$(64,019)

## 18. 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 27,869,079 shares have been issued.

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

	2014	2013
Number of options granted	765,146	1,840,932
Average strike price	\$26.81	\$22.00
Expected dividend	\$0.40	\$0.40
Expected volatility	33%	41%
Risk-free interest rate	1.5%	1.2%
Expected life of option	4.4 years	4.4 years
Expected forfeitures	8%	8%
Weighted average grant date fair values	\$6.79	\$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 granted to employees. During the period, the Company recognized the following expenses under these plans:

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Stock option plan	<b>\$1,283</b>	\$2,059	<b>\$6,443</b>	\$11,268
Performance share unit plan	<b>1,421</b>	1,311	<b>3,778</b>	3,783
Restricted share unit plan	<b>768</b>	148	<b>2,089</b>	445
<b>Total</b>	<b>\$3,472</b>	\$3,518	<b>\$12,310</b>	\$15,496

## 19. Financial instruments

### A. Fair value hierarchy

The fair value of an asset or liability is generally estimated as the amount that would be received on sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Fair values of assets and liabilities traded in an active market are determined by reference to last quoted prices, in the principal market for the asset or liability. In the absence of an active market for an asset or liability, fair values are determined based on market quotes for assets or liabilities 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 asset or liability.

All fair value measurements 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 measurement in its entirety.

The following tables summarize the carrying amounts and fair values of Cameco's financial instruments that are measured at fair value, including their levels in the fair value hierarchy:

#### As at September 30, 2014

	Carrying value	Fair value		
		Level 1	Level 2	Total
Short-term investments	<b>\$28,848</b>	\$28,848	\$ -	\$28,848
Investments in equity securities [note 8]	<b>10,836</b>	10,836	-	10,836
Derivative assets [note 8]				
Foreign currency contracts	<b>688</b>	-	688	688
Derivative liabilities [note 10]				
Foreign currency contracts	<b>(37,036)</b>	-	(37,036)	(37,036)
Interest rate contracts	<b>(995)</b>	-	(995)	(995)
<b>Net</b>	<b>\$2,341</b>	<b>\$39,684</b>	<b>\$(37,343)</b>	<b>\$2,341</b>

**As at December 31, 2013**

	Carrying value	Fair value		
		Level 1	Level 2	Total
Derivative assets [note 8]				
Foreign currency contracts	\$3,775	\$ -	\$3,775	\$3,775
Interest rate contracts	3,616	-	3,616	3,616
Derivative liabilities [note 10]				
Foreign currency contracts	(30,907)	-	(30,907)	(30,907)
Share purchase options	(16)	(16)	-	(16)
<b>Net</b>	<b>\$(23,532)</b>	<b>\$(16)</b>	<b>\$(23,516)</b>	<b>\$(23,532)</b>

The preceding tables exclude fair value information for financial instruments whose carrying amounts are a reasonable approximation of fair value.

There were no transfers between level 1, level 2, or level 3 during the period. Cameco does not have any financial instruments that are classified as level 3 as of the reporting date.

**B. Financial instruments measured at fair value**

Cameco measures its short-term investments, derivative financial instruments, and certain investments in equity securities at fair value. Short-term investments and investments in publicly held equity securities are classified as a recurring level 1 fair value measurement, and derivative financial instruments are classified as a recurring level 2 fair value measurement.

Short-term investments represent available-for-sale money market instruments. The fair value of these instruments is determined using quoted market yields as of the reporting date. The fair value of investments in equity securities is determined using quoted share prices observed in the principal market for the securities as of the reporting date.

Foreign currency derivatives consist of foreign currency forward contracts, and foreign currency swaps. The fair value of foreign currency derivatives is measured using a market approach, based on the difference between contracted foreign exchange rates and quoted forward exchange rates as of the reporting date.

Interest rate derivatives consist of interest rate swap contracts, and interest rate caps. The fair value of interest rate swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed interest payments to be received and floating interest payments to be made to the counterparty based on Canada Dealer Offer Rate forward interest rate curves. The fair value of interest rate caps is determined based on broker quotes observed in active markets at the reporting date.

Where applicable, the fair value of the derivatives reflects the credit risk of the instrument, and includes adjustments to take into account the credit risk of the Company and counterparty. These adjustments are based on credit ratings and yield curves observed in active markets at the reporting date.

**C. Financial instruments not measured at fair value**

The carrying value of Cameco's cash and cash equivalents, receivables, payables and accrued liabilities is assumed to approximate the fair value as a result of the short-term nature of the instruments. The carrying value of Cameco's short-term debt (commercial paper and promissory notes), and long-term debt (debentures) is assumed to approximate the fair 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.

Cameco previously measured its investment in GoviEx Uranium (GoviEx) at cost due to the unavailability of a quoted price in an active market. GoviEx is now listed on the Canadian Securities Exchange, and as a result the Company has measured its investment at fair value as of the reporting date.

#### D. Derivatives

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

	Sep 30/14	Dec 31/13
Non-hedge derivatives		
Foreign currency contracts	\$(36,348)	\$(27,132)
Interest rate contracts	(995)	3,616
Share purchase options	-	(16)
<b>Net</b>	<b>\$(37,343)</b>	<b>\$(23,532)</b>
Classification		
Current portion of long-term receivables, investments and other [note 8]	\$519	\$3,775
Long-term receivables, investments and other [note 8]	169	3,616
Current portion of other liabilities [note 10]	(29,999)	(30,923)
Other liabilities [note 10]	(8,032)	-
<b>Net</b>	<b>\$(37,343)</b>	<b>\$(23,532)</b>

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

	Three months ended		Nine months ended	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Non-hedge derivatives				
Foreign currency contracts	\$(72,223)	\$43,019	\$(72,209)	\$(20,087)
Interest rate contracts	(529)	512	920	324
Share purchase options	-	-	16	-
<b>Net</b>	<b>\$(72,752)</b>	<b>\$43,531</b>	<b>\$(71,273)</b>	<b>\$(19,763)</b>

## 20. Segmented information

Cameco has three reportable segments: uranium, fuel services and NUKEM. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The fuel services segment involves the refining, conversion and fabrication of uranium concentrate and the purchase and sale of conversion services. The NUKEM segment acts as a market intermediary between uranium producers and nuclear-electric utilities.

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

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies. Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis and are eliminated on consolidation.

**For the three months ended September 30, 2014**

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$447,193	\$71,081	\$96,687	\$(27,825)	\$587,136
Expenses					
Cost of products and services sold	248,206	59,171	86,499	(28,172)	365,704
Depreciation and amortization	66,656	7,130	846	3,918	78,550
<b>Cost of sales</b>	<b>314,862</b>	<b>66,301</b>	<b>87,345</b>	<b>(24,254)</b>	<b>444,254</b>
<b>Gross profit (loss)</b>	<b>132,331</b>	<b>4,780</b>	<b>9,342</b>	<b>(3,571)</b>	<b>142,882</b>
Administration	-	-	3,954	36,321	40,275
Impairment charges	12,380	183,615	-	-	195,995
Exploration	11,024	-	-	-	11,024
Research and development	-	-	-	1,619	1,619
Loss on sale of assets	1,617	-	-	-	1,617
Finance costs	-	-	1,752	11,913	13,665
Losses on derivatives	-	-	24	72,728	72,752
Finance income	-	-	(1)	(2,038)	(2,039)
Share of loss from equity-accounted investees	1,929	-	-	-	1,929
Other expense	222	-	-	-	222
<b>Earnings (loss) before income taxes</b>	<b>105,159</b>	<b>(178,835)</b>	<b>3,613</b>	<b>(124,114)</b>	<b>(194,177)</b>
Income tax recovery					(47,758)
<b>Net loss from continuing operations</b>					<b>\$(146,419)</b>

**For the three months ended September 30, 2013**

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$449,355	\$76,777	\$92,992	\$(22,546)	\$596,578
Expenses					
Cost of products and services sold	198,223	57,599	73,820	(22,914)	306,728
Depreciation and amortization	25,585	6,165	26,116	4,396	62,262
<b>Cost of sales</b>	<b>223,808</b>	<b>63,764</b>	<b>99,936</b>	<b>(18,518)</b>	<b>368,990</b>
<b>Gross profit (loss)</b>	<b>225,547</b>	<b>13,013</b>	<b>(6,944)</b>	<b>(4,028)</b>	<b>227,588</b>
Administration	-	-	3,758	31,757	35,515
Exploration	19,908	-	-	-	19,908
Research and development	-	-	-	1,014	1,014
Gain on sale of assets	(12)	-	-	-	(12)
Finance costs	-	-	1,298	26,155	27,453
Gains on derivatives	-	-	(3,671)	(39,860)	(43,531)
Finance income	-	-	(3)	(1,175)	(1,178)
Share of loss from equity-accounted investees	347	1,041	-	-	1,388
Other expense	14,838	-	-	-	14,838
<b>Earnings (loss) before income taxes</b>	<b>190,466</b>	<b>11,972</b>	<b>(8,326)</b>	<b>(21,919)</b>	<b>172,193</b>
Income tax expense					8,945
<b>Net earnings from continuing operations</b>					<b>\$163,248</b>

**For the nine months ended September 30, 2014**

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$1,171,172	\$181,530	\$190,310	\$(34,676)	\$1,508,336
Expenses					
Cost of products and services sold	633,766	141,343	167,072	(36,151)	906,030
Depreciation and amortization	175,893	17,643	4,361	18,098	215,995
<b>Cost of sales</b>	<b>809,659</b>	<b>158,986</b>	<b>171,433</b>	<b>(18,053)</b>	<b>1,122,025</b>
<b>Gross profit (loss)</b>	<b>361,513</b>	<b>22,544</b>	<b>18,877</b>	<b>(16,623)</b>	<b>386,311</b>
Administration	-	-	10,368	111,556	121,924
Impairment charges	12,380	183,615	-	-	195,995
Exploration	34,763	-	-	-	34,763
Research and development	-	-	-	3,312	3,312
Loss on sale of assets	7,173	-	-	-	7,173
Finance costs	-	-	2,593	64,666	67,259
Losses on derivatives	-	-	1,719	69,554	71,273
Finance income	-	-	(3)	(5,275)	(5,278)
Share of loss from equity-accounted investees	2,164	13,267	-	-	15,431
Other expense (income)	(28,740)	18,035	-	-	(10,705)
<b>Earnings (loss) before income taxes</b>	<b>333,773</b>	<b>(192,373)</b>	<b>4,200</b>	<b>(260,436)</b>	<b>(114,836)</b>
Income tax recovery					(98,826)
<b>Net loss from continuing operations</b>					<b>\$(16,010)</b>

**For the nine months ended September 30, 2013**

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$1,001,130	\$207,645	\$276,307	\$(23,780)	\$1,461,302
Expenses					
Cost of products and services sold	509,374	156,695	218,032	(24,204)	859,897
Depreciation and amortization	91,716	17,006	57,670	13,361	179,753
<b>Cost of sales</b>	<b>601,090</b>	<b>173,701</b>	<b>275,702</b>	<b>(10,843)</b>	<b>1,039,650</b>
<b>Gross profit (loss)</b>	<b>400,040</b>	<b>33,944</b>	<b>605</b>	<b>(12,937)</b>	<b>421,652</b>
Administration	-	-	10,542	123,785	134,327
Exploration	56,483	-	-	-	56,483
Research and development	-	-	-	4,967	4,967
Loss on sale of assets	117	-	-	-	117
Finance costs	-	-	7,744	44,162	51,906
Losses (gains) on derivatives	-	-	(8,944)	28,707	19,763
Finance income	-	-	(61)	(5,479)	(5,540)
Share of loss from equity-accounted investees	270	3,198	-	-	3,468
Other expense	14,838	-	-	1,739	16,577
<b>Earnings (loss) before income taxes</b>	<b>328,332</b>	<b>30,746</b>	<b>(8,676)</b>	<b>(210,818)</b>	<b>139,584</b>
Income tax recovery					(64,545)
<b>Net earnings from continuing operations</b>					<b>\$204,129</b>



## 21. Related parties

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

### Related party transactions

	Transaction value Three months ended		Transaction value Nine months ended		Balance outstanding as at	
	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13	Sep 30/14	Sep 30/13
Joint arrangements						
Interest income (Inkai) <sup>(a)</sup>	\$500	\$521	\$1,549	\$1,533	\$92,398	\$93,207
Associates						
Interest expense	-	(29)	(5)	(195)	-	(10,271)

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

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 are \$258,650,000 (US) and advances under these facilities bear interest at a rate of LIBOR plus 2%. At September 30, 2014, \$206,098,000 (US) of principal and interest was outstanding (December 31, 2013 - \$224,047,000 (US)).

In 2008, a promissory note in the amount of \$73,344,000 (US) was issued to finance the acquisition of GE-Hitachi Global Laser Enrichment LLC (GLE). No balance was outstanding under this promissory note at September 30, 2014. At December 31, 2013, \$10,010,000 (US) of principal and interest was outstanding.