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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

**ANNUAL REPORT PURSUANT TO SECTION 13(a) or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 December 2003 Commission file number:1-14228

Cameco Corporation

(Exact name of Registrant as specified in its charter)

CANADA

(Province or other jurisdiction of incorporation or organization)

1090

(Primary Standard Industrial Classification Code Number)

**2121 – 11th Street West,
Saskatoon, Saskatchewan, Canada, S7M 1J3, Telephone: (306) 956-6200**

(Address and telephone number of Registrant's principal executive offices)

**Fletcher Newton, Power Resources, Inc., 274 Union Boulevard, Suite 310
Lakewood, Colorado, USA 80228, Telephone: (720) 917-0112**

*(Name, address, (including zip code) and telephone number (including area code)
of agent for service in the United States)*

Securities registered pursuant to Section 12(b) of the Act:

Title of Class: Common Shares, no par value; and Preferred Securities

Name of Exchange where Securities are listed: New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Information filed with this form:

þ Annual Information Form þ Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of
capital or common stock as of the close of the period covered by the annual report:

56,769,423 Common Shares outstanding as of 31 December 2003

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

o Yes þ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been

subject to such filing requirements for the past 90 days.

þ Yes o No

Certain statements in this Form 40-F constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. See “Note Regarding Forward-Looking Statements”.

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UNDERTAKING

Cameco Corporation undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

Cameco Corporation has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement.

SIGNATURES

Pursuant to the requirements of the Exchange Act, Cameco Corporation certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto fully authorized.

DATED this 19th day of March, 2004.

CAMECO CORPORATION

Per: /s/ David M. Petroff

David M. Petroff
Chief Financial Officer

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CERTIFICATIONS AND DISCLOSURE REGARDING CONTROLS AND PROCEDURES

(a) ***Certifications.*** See Exhibits 99.1 and 99.2.

(b) ***Evaluation of disclosure controls and procedures***. As of the end of the period covered by this report, an evaluation of the effectiveness of Cameco Corporation's "disclosure controls and procedures" (as such term is defined in Rules 13a-14(c) and 15d-14(c) of the United States Securities Exchange Act of 1934 (the "Exchange Act")) was carried out by Cameco Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on that evaluation, the CEO and CFO have concluded that as of such date Cameco Corporation's disclosure controls and procedures are effective to ensure that information required to be disclosed by Cameco Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in United States Securities and Exchange Commission rules and forms.

(c) ***Changes in Internal Control Over Financial Reporting***. During the fiscal year ended December 31, 2003, there were no changes in Cameco Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Cameco Corporation's internal control over financial reporting.

Audit Committee Financial Expert. Cameco Corporation's board of directors has determined that an audit committee financial expert serves on its audit committee. The audit committee financial expert is Victor J. Zaleschuk.

Code of Ethics. Cameco Corporation's directors' code of ethics, Cameco Corporation's code of ethics and mandates of the board and its committees and position descriptions for the chief executive officer and the non-executive chair can be found on Cameco Corporations's web site under "Investor Relations" and are also available in print to any shareholder upon request.

Principal Accountant Fees and Services. Disclosure is contained in Exhibit No. 4.

Tabular Disclosure of Contractual Obligations. Disclosure is contained in Exhibit No. 3 — 2003 Management's Discussion and Analysis under the heading "Contractual Obligations and Commercial Commitments".

Identification of the Audit Committee. Cameco Corporation's audit committee is comprised of: Nancy E. Hopkins (chair), Oyvind Hushovd, J. W. George Ivany, A. Neil McMillan, Robert W. Peterson and Victor J. Zaleschuk.

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EXHIBIT INDEX

Exhibit No.	Description
1	Annual Information Form of Cameco Corporation dated March 19, 2004
2	2003 Consolidated Audited Financial Statements
3	2003 Management's Discussion and Analysis
4	Principal Accountant Fees and Services
5	Consent of Independent Chartered Accountants
99.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.3	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 1

Cameco Corporation

Annual Information Form

March 19, 2004



Cameco Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2003

Dated March 19, 2004

Cameco Corporation
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REPORTING CURRENCY AND FINANCIAL INFORMATION

All amounts in this Annual Information Form are expressed in Canadian dollars, unless otherwise indicated. References to $(US) are to United States ("US") dollars.

Financial information is presented in accordance with Canadian generally accepted accounting principles. Differences between generally accepted accounting principles in Canada and the United States, as applicable to Cameco Corporation, are explained in the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2003 and attached as Appendix "A".

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form and the information incorporated herein are forward-looking statements. Discussions containing forward-looking statements may be found in the material set forth in the "General Development of Business", "The Nuclear Business", "The Gold Business", "Common Risk Factors-Uranium and Gold" and "Management's Discussion and Analysis" sections. In addition, when used in this Annual Information Form, the words "believes", "intends", "anticipates", "expects", "estimates" and words of similar import may indicate forward-looking statements. Statements which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: volatility and sensitivity to market prices for uranium, conversion services, electricity in Ontario and gold; the impact of the change in volume of uranium and conversion services sold, electricity generated and gold produced; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental and safety risks including increased regulatory burdens and long term hazardous waste disposal; unexpected geological or hydrological conditions; adverse mining conditions; political risks arising from operating in certain developing countries; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including trade laws and policies; demand for nuclear power; replacement of production and failure to obtain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, regulation, re-regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; weather and other natural phenomena; ability to maintain and improve positive labour relations; operating performance of the facilities; success of planned development projects; and other development and operating risks. Although Cameco Corporation believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this Annual Information Form. Cameco Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as otherwise required by applicable law.

INCORPORATION AND SUBSIDIARIES

Incorporation

Cameco Corporation ("Cameco" or the "Company") was incorporated under the *Canada Business Corporations Act* ("CBCA") on June 19, 1987 to combine the uranium mining and milling operations of Saskatchewan Mining Development Corporation ("SMDC") with the uranium mining, refining and conversion operations of Eldorado Nuclear Limited ("ENL"), since renamed Canada Eldor Inc. ("CEI") (the "Reorganization"). The Reorganization of SMDC and ENL was accomplished by the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) (the "ENL Reorganization Act") and *The Saskatchewan Mining Development Corporation Reorganization Act* (Saskatchewan). Pursuant to this legislation, in October 1988 CEI and SMDC transferred substantially all of their assets to Cameco in exchange for Cameco assuming substantially all of their current and certain other liabilities and issuing common shares, one Class B Share and promissory notes of the Company.

On June 18, 2001, legislation to amend the ENL Reorganization Act was passed by the federal government. The legislative amendment allowed Cameco to proceed with an amendment to Cameco's articles to increase the individual non-resident share ownership from 5% to 15% and to increase the limit on aggregate non-resident ownership voting rights from 20% to 25%. This amendment was approved by special resolution of Cameco's shareholders at the 2002 annual shareholders meeting.

At its formation, Cameco's share capital was owned 61.5% and 38.5%, respectively, by the province of Saskatchewan and the Government of Canada. The Company became a publicly traded company in Canada after the initial public offering of its common shares in 1991. The province of Saskatchewan and the Government of Canada have sold all of their common shares in Cameco. The province of Saskatchewan retains one Class B share in Cameco.

The province of Saskatchewan, as the holder of the Class B share (the "Class B Share"), is entitled to receive notice of and to attend all meetings of shareholders including meetings of any class or series thereof but does not have the right to vote at any such meeting other than a meeting of the holder of the Class B Share as a class. The holder of the Class B Share does not have the right to vote separately as a class except on any proposal to (i) amend Part I of Schedule B of Cameco's articles, (ii) amalgamate that would effect an amendment to Part I of Schedule B of Cameco's articles, or (iii) amend the articles so as to alter the rights attached to the Class B Share. Part I of Schedule B of Cameco's articles currently provides that (A) the registered office and head office operations of Cameco must be located in the province of Saskatchewan, (B) all of the executive officers (vice-chairman of the board, chief executive officer, chief operating officer, chief financial officer and president) of the Company, except for the chairman of the board, and substantially all of the senior officers (vice presidents) of the Company must be ordinarily resident in the province of Saskatchewan, and (C) all annual meetings of shareholders of the Company must be held at a place in the province of Saskatchewan.

On May 8, 2003, at the 2003 annual and special shareholders meeting, shareholders approved two amendments to Cameco's articles. The first was to permit the board to appoint one or more directors between meetings of shareholders as permitted by the CBCA, subject to certain limitations, the second was to remove the requirement that the chairman of the board must be ordinarily resident in the province of Saskatchewan.

Cameco's head office and principal place of business is located at 2121 – 11 th Street West, Saskatoon, Saskatchewan, Canada, S7M 1J3, telephone (306) 956-6200.

Subsidiaries

Cameco owns a one-half interest in UEM Inc. ("UEM"), a Canadian company.

The Company owns a one-third interest in Kumtor Gold Company ("KGC"), a Kyrgyz company, through its wholly owned Canadian subsidiary Cameco Gold Inc.

Cameco owns a 31.6% limited partnership interest in Bruce Power Limited Partnership ("Bruce Power"), an Ontario limited partnership, through its wholly owned Canadian subsidiaries Cameco Bruce Holdings Inc. and Cameco Bruce Holdings II Inc.

No other subsidiaries are individually or collectively material.

GENERAL DEVELOPMENT OF THE BUSINESS

Cameco is the world's largest uranium producer. The Company's competitive position is based upon its large, high-grade reserves and low-cost operations, significant market position and access to other supplies of uranium. Cameco is also one of the four commercial converters of uranium concentrates ("U3O8") to UF6 (uranium hexafluoride) in the western world and the principal supplier of services to convert uranium concentrates to UO2 (uranium dioxide). Cameco, through subsidiaries, has a 31.6% limited partnership interest in Bruce Power, which operates North America's largest nuclear electricity generating facility. Bruce Power has six nuclear reactors at the facility in service. While Cameco continues its principal focus on the nuclear business, it is also in the gold business. A Cameco subsidiary has a one-third interest in and operates the large Kumtor gold mine in the Kyrgyz Republic in Central Asia. A Cameco majority-owned subsidiary is developing the Boroo gold mine in Mongolia. The Company continues to explore for uranium and gold in a number of countries.

Three-Year Highlights

Major developments in Cameco's business in each of the fiscal years ended December 31, 2001 to December 31, 2003 were as follows:

2001

Highlights from 2001 included:

- In April, Bruce Power decided to proceed with the restart of two Bruce "A" nuclear reactors whose operation was previously suspended by Ontario Hydro (predecessor to Ontario Power Generation ("OPG")), subject to regulatory approval.
- In May, Bruce Power became the operator of the Bruce "A" and Bruce "B" nuclear power plants, having received operating licenses from the Canadian Nuclear Safety Commission ("CNSC") and finalized and closed its long-term lease with OPG of these nuclear power plants and related facilities. At that time a Cameco subsidiary acquired a 15% interest in Bruce Power and Cameco became the exclusive supplier of non-enriched nuclear fuel to the Bruce nuclear plants.
- In June, the joint venture owners approved the Cigar Lake feasibility study.
- In November, an amendment to the Russian highly enriched uranium commercial agreement ("HEU Commercial Agreement") was signed. By year-end, a Cameco subsidiary had exercised options to purchase 63 million pounds U3O8 under the amended HEU Commercial Agreement.
- In December, the government of Saskatchewan announced a new uranium royalty regime, which took effect January 1, 2002.

2002

Highlights from 2002 included:

- In February, the province of Saskatchewan sold its remaining common shares (10%) of Cameco.
- In March, a Cameco subsidiary acquired a 52% interest in AGR Limited ("AGR"), which interest increased to 56% in December. AGR, through subsidiaries, has a 95% interest in the Boroo gold mine in Mongolia.
- In June, a Cameco subsidiary purchased the Smith Ranch uranium in situ leach mine located in Wyoming, nearby the subsidiary's Highland mine, making Cameco, through subsidiaries, the sole primary producer of uranium in the United States.
- In July, Cameco signed a memorandum of agreement as an initial step toward entering into a partnership to construct a $1.1 billion (US) enrichment facility in the United States, however, in March 2003 Cameco announced that it would not enter the partnership.
- In July, a pit wall failure occurred at the Kumtor mine, reducing 2002 gold production from a forecast 700,000 ounces to 528,550 ounces (Cameco's share is one-third).
- In December, Cameco announced an increase in its annual common share dividend from $0.50 to $0.60 per share. The dividend increase took effect for shareholders of record at the end of the first quarter 2003.
- In December, Cameco signed an agreement, along with others, to collectively purchase 79.82% of Bruce Power from British Energy plc ("BE").

2003

Highlights from 2003 included:

- In February 2003, the purchase of 79.8% of Bruce Power from BE by Cameco, along with others, closed and Cameco's limited partnership interest in Bruce Power, held through subsidiaries, increased from 15% to 31.6%.
- In February 2003, through its subsidiary Cameco Gold Inc. ("CGI"), Cameco reached an agreement in principle with the Kyrgyzaltyn JSC to restructure the ownership of the Kumtor gold mine located in the Kyrgyz Republic. Discussions with the Kyrgyz government were centred on their equity participation in the consolidation of Cameco's gold assets into a new entity that would be publicly listed.

- Production at Cameco's McArthur River mine was temporarily suspended on April 6, 2003, as increased water inflow from an area of collapsed rock in a new development area began to flood portions of the mine. Remedial work to return the mine to a safe operating condition was carried out during the second quarter of 2003 and was sufficiently advanced in early July 2003 for mine production to resume. The McArthur River mine produced 15.2 million pounds U_3O_8 in 2003 (Cameco's share was 10.6 million pounds). In total, Cameco's production from all operations reached 18.5 million pounds U_3O_8 in 2003 (excluding nominal test mining uranium production from Inkai) compared to its original target of 20.9 million pounds U_3O_8. While mining at the McArthur River mine was suspended, the Company met all sales commitments with existing inventory and its other supply sources.

- In 2003, the federal government enacted amendments to the *Income Tax Act* (Canada) ("ITA") that reduced the corporate tax rate on income from resource activities from the present level of 28% to 21%, over a five-year period commencing in 2003. Under Canadian accounting rules, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantial enactment. Accordingly, Cameco reduced its balance sheet provision for future income taxes and recognized a one-time, non-cash income tax adjustment of $86.2 million in the second quarter.

- In October 2003, the remediation work on the Kumtor pit wall, which collapsed in July 2002, was completed. For the second half of 2003, the average mill feed grade rose to about 5.6 g/t. Production at Kumtor during 2003 was 677,552 ounces at an average feed grade of 4.5 g/t (Cameco's share was 225,851 ounces).

- In September 2003, Cameco completed an offering of 5% Convertible Subordinated Debentures due October 1, 2013 for aggregate gross proceeds of $230 million. The Debentures trade on the Toronto Stock Exchange under the symbol "CCO.DB" and can be converted at the option of the holders into Cameco common shares at any time on or prior to maturity based on a conversion price of $65.00 per share (subject to adjustment in certain circumstances).

- In connection with Bruce Power's plans to restart two of the four laid-up units of the Bruce "A" station, Unit 4 was connected to the Ontario electricity grid in October 2003. Unit 4 was declared in commercial production as of November 1, 2003.

2004 Expected Material Developments in the Business

The following are the significant trends, events and commitments known to Cameco that could have a material impact in 2004 on Cameco's business, financial condition or results of operations:

- In January 2004, Cameco announced that Joint Stock Company Kyrgyzaltyn ("Kyrgyzaltyn JSC"), agreed to transfer all of KGC, the owner of the Kumtor gold mine in the Kyrgyz Republic, to a new jointly owned Canadian company called Centerra Gold Inc. ("Centerra"). In conjunction with its acquisition of KGC and Cameco's other gold assets, Centerra intends to undertake an initial public offering in Canada and listing of its shares on the Toronto Stock Exchange. Cameco expects to hold a majority interest in Centerra immediately following the initial public offering. Closing of the acquisition is targeted for the second quarter of 2004 and is subject to satisfaction of a number of conditions.

- Unit 3, the second of the two units of the Bruce "A" station to be restarted, was reconnected to the power grid in January 2004. With the restart of the two Bruce "A" nuclear power units, Bruce Power's net generating capacity increased from 3,160 megawatts to 4,660 megawatts.

- In March 2004, Cameco announced that one of its wholly owned US subsidiaries signed an agreement to purchase a 25.2% interest in assets comprising the South Texas Project ("STP") from a wholly owned subsidiary of American Electric Power ("AEP") for $333 million (US). Included in the purchase price is $54 million (US) for fuel and non-fuel inventory. STP consists of two 1,250 megawatts nuclear units located in Texas. The net generating capacity from the 25.2% interest in STP is 630 megawatts. Each owner takes in kind and markets its pro-rata share of electricity generated by STP. The balance of STP is held by Texas Genco (30.8%), the City Public Service Board of San Antonio (28%) and the City of Austin (16%). The interest being purchased by Cameco is subject to a right of first refusal in favour of these owners. The agreement is subject to regulatory approval and other closing conditions, and the final purchase price is subject to closing adjustments. The transaction is expected to close in the second half of 2004.

THE NUCLEAR BUSINESS

Overview

The only significant commercial use for uranium is to fuel nuclear power plants for the generation of electricity. In recent years, nuclear plants generated approximately 16% of the world's electricity. According to the World Nuclear Association, nuclear plant electric generating capacity is expected to grow modestly between now and the year 2013, primarily as a result of new reactor construction outside the US and improved reactor operation. The rate of growth is expected to be somewhat below that of the total market for electricity.

The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment and fuel fabrication. Once a uranium deposit is discovered and reserves delineated, uranium ore is mined and upgraded at a mill to produce uranium concentrates. Mining companies that do not operate conversion service facilities usually sell uranium concentrates to electrical generating companies ("utilities") around the world on the basis of the U_3O_8 contained in the uranium concentrates. Utilities then contract with converters, enrichers and fuel fabricators to produce the required reactor fuel.

Cameco's involvement in the nuclear business consists principally of (a) exploring for, developing, mining and milling uranium ore to produce uranium concentrates; (b) supplying uranium refining and conversion services to produce UO_2 and UF_6; (c) selling produced and acquired uranium to utilities; and (d) its subsidiaries collectively being a 31.6% limited partner in Bruce Power, which operates North America's largest nuclear electricity generating facility.

Uranium Concentrates Business

Market Background

Demand

The demand for U_3O_8 is directly linked to the level of electricity generated by nuclear power plants. Western world annual uranium fuel consumption has increased from approximately 56 million pounds U_3O_8 in 1980 to about 155 million pounds in 2003. Cameco estimates that annual uranium fuel consumption in the western world will reach 172 million pounds in 2013, reflecting an annual growth rate of 1.0% per year over the period. Demand could be increased slightly by the current trend toward improving plant operating performance or reduced by the premature closing of some nuclear power plants. Demand in the former Soviet Union, Eastern Europe and China was about 25 million pounds in 2003 and is expected to increase to about 33 million pounds in 2013.

Supply

The international uranium supply industry is highly competitive. Uranium supply sources include primary mine production and secondary sources such as excess inventories, uranium made available from the decommissioning of nuclear weapons, re-enriched depleted uranium tails, and used reactor fuel that has been reprocessed. Russia supplies most of the requirements of the former Soviet Union and Eastern Europe from inventories, reprocessing of used reactor fuel, and primary mine production.

Primary Production

The uranium production industry is international in scope with a small number of companies operating in relatively few countries. In 2002 (the latest year for which figures are available), approximately 80% of the estimated world production of 94 million pounds U_3O_8 was provided by eight producers: Cameco, Cogema, Energy Resources of Australia Ltd., Rossing Uranium Limited and WMC Resources Ltd. in the western world, and Kazatomprom in Kazakhstan, NAVOI Mining Metallurgical Kombinat in Uzbekistan and Priargunsky Industrial Mining and Chemical Enterprise in Russia. Approximately 92% of estimated world production was sourced from nine countries (in order of production, from greatest to least): Canada, Australia, Niger, Russia, Kazakhstan, Namibia, Uzbekistan, the US and South Africa.

Note: Western world includes Argentina, Australia, Belgium, Brazil, Canada, Czech Republic, Finland, France, Germany, India, Japan, Mexico, Namibia, Netherlands, Niger, Pakistan, Portugal, Romania, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom and United States.

The Canadian uranium industry has, in recent years, been the leading supplier with production of approximately 30 million pounds U3O8 in 2002, or about 32% of world production. Production from Cameco operated mines in Canada and the US in 2003 was approximately 23 million pounds. Cameco's share of this production was approximately 18.5 million pounds.

Subject to the constraints described below, all primary production is available to meet the demand of the nuclear power industry in the western world.

Secondary Sources

Each year since 1985, western world uranium production has been less than western world utility uranium consumption. The resulting shortfall has been covered by a number of secondary sources. Excess inventories held by utilities, producers, other fuel cycle participants and governments (including Russian government inventories) have been and continue to be a significant source of supply. Utilities in Europe also use reprocessed uranium and plutonium derived from used reactor fuel as a source of supply. In addition, in recent years, another source of supply has been the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers. Cameco estimates these two recycling sources will meet about 6% of western world demand to 2013. Finally, uranium derived from the dismantling of Russian nuclear weapons has become a significant source of supply and could meet about 13% of western world demand to 2013. A limited amount of uranium from the US weapons program has been introduced into the market but this is not expected to become a significant supply source.

Uranium from Nuclear Disarmament

In February 1993, the United States and Russia signed an agreement (the "Russian HEU Agreement") to manage the sale of highly enriched uranium ("HEU"). Under this agreement, over a term of 20 years, 500 tonnes of HEU, derived from dismantling nuclear weapons, are to be diluted in Russia and delivered to the United States as low enriched uranium ("Disarmament LEU"), suitable for use in nuclear power plants. Disarmament LEU scheduled for delivery during the 20-year period represents approximately 400 million pounds of natural uranium as U3O8 ("Disarmament Uranium").

The USEC Privatization Act, which became law in 1996, regulates the introduction of Disarmament Uranium into the US market. Under the USEC Privatization Act, Disarmament Uranium delivered after 1996 may be sold into the US market beginning in 1998 subject to an annual quota. The quota for 2003 was 12 million pounds U3O8, and will increase by 2 million pounds per year to 2005, and thereafter by 1 million pounds per year to a maximum of 20 million pounds per year beyond 2008. This material may also be used in the US for matched sales with newly mined US origin U3O8 under the Russian suspension agreement.

Disarmament Uranium delivered in 1995 and 1996, totaling 14 million pounds U3O8 equivalent, was purchased by Department of Energy ("DOE"). Under the USEC Privatization Act, 5 million pounds U3O8 equivalent was subsequently repurchased by Russia for matched sales into the US market. The remaining 9 million pounds U3O8 equivalent of this material was to be sold by DOE prior to the end of 2003 in quantities not exceeding 3 million pounds per year. As of the end of 2003, DOE had not sold any of this material.

In 1999, DOE purchased 28 million pounds U3O8 equivalent contained in the Disarmament LEU delivered by Russia in 1997 and 1998. DOE purchased this material pursuant to the bilateral agreement related to the HEU Commercial Agreement. This material, along with an additional 30 million pounds of DOE inventory, is included in a US stockpile to be withheld from the market until March 2009.

In 2003 and each year thereafter, Russia plans to deliver LEU from 30 tonnes of HEU, about 24 million pounds U3O8 equivalent, until the Disarmament LEU derived from the entire 500 tonnes included under the Russian HEU Agreement has been delivered to the United States. To the end of 2003, about 159 million pounds U3O8 equivalent had been delivered.

HEU Commercial Agreement

On March 24 1999, Cameco Europe S.A., a wholly owned subsidiary of Cameco, along with Compagnie Generale des Matieres Nucleaires, RWE Nukem Inc. of the United States and its affiliate RWE Nuklear GmbH of Germany (collectively the "Companies"), signed an agreement, subsequently amended, the ("HEU Commercial Agreement") with AO Techsnabexport ("Tenex"), the commercial arm of the Russian Ministry for Atomic Energy. Under the

HEU Commercial Agreement, the Companies were granted options to purchase a majority of the Disarmament Uranium.

On November 16, 2001, Tenex and the Companies signed an amendment to the HEU Commercial Agreement. Under the terms of the amendment, the Companies committed to exercise their options to purchase a quantity of uranium (about 124 million pounds U3O8) equal to their share of the annual quota under the USEC Privatization Act for the period 2002 to 2013. Cameco Europe S.A.'s share is 53 million pounds. Tenex retained about 82 million pounds to sell under its share of the quota. The Companies have exclusive options to purchase the balance of the Disarmament Uranium. Subsequently in 2001, Cameco Europe S.A. exercised options for an additional 10 million pounds. In late 2002, Cameco Europe Ltd., a Swiss company, assumed the obligations and rights of Cameco Europe S.A., a Luxembourg company, under HEU Commercial Agreement, as amended. In 2003, Cameco Europe Ltd. exercised options for an additional eight million pounds.

A series of related agreements between the US and Russian governments (collectively, the "Bilateral Agreement"), which are integral to the HEU Commercial Agreement, require Tenex to return to Russia the Disarmament Uranium not purchased by the parties to the HEU Commercial Agreement or sold by Tenex, and allows Russia to use about 7 million pounds U3O8 equivalent annually for blending down HEU to Disarmament LEU. Pursuant to Bilateral Agreement, the balance of the returned uranium is to be placed in a monitored stockpile. In the event the monitored stockpile exceeds 58 million pounds U3O8 equivalent, Russia is permitted to sell the excess into supply contracts in place on March 24, 1999, mainly with utilities in Eastern Europe.

Tenex has been selling its share of the US Quota through a contract with Globe Nuclear Services and Supply GNSS, Limited ("GNSS"). In November, 2003 Tenex terminated its contract with GNSS effective January 2004, stating that "the terms of the contract with GNSS are contrary to the interests of the Russian Federation." Tenex has indicated an intention to meet all of the GNSS delivery commitments, reportedly amounting to about 31 million pounds U3O8 equivalent over the next 5 years. It is expected that most of the remainder of Disarmament Uranium will be returned to Russia to facilitate blending HEU under the HEU Commercial Agreement.

On February 12, 2004, Tenex and the Companies agreed in principle to further amend the HEU Commercial Agreement. This agreement in principle provides, amongst other things, that the HEU Commercial Agreement be amended to allow Tenex to return additional Disarmament Uranium to Russia to secure the supply of natural uranium required to facilitate the blend down of HEU to Disarmament LEU, and to give Tenex a priority right to remove Disarmament Uranium from the monitored stockpile for such blending purposes. These amendments will reduce the remaining quantity of Disarmament Uranium that the Companies could have elected to purchase over the remaining term of the HEU Commercial Agreement.

Trade Restraints and Policies

The US government and the European Union ("EU") have limited the access of Commonwealth of Independent States ("CIS") suppliers to their respective markets. In the US, an ad hoc committee of uranium producers and other companies filed an anti-dumping suit against the former Soviet Union in 1991. The resulting settlement was effected in suspension agreements signed in October 1992 by the US Department of Commerce with Russia, Uzbekistan, Kazakhstan and Kyrgyz Republic. The suspension agreements with Uzbekistan, Kazakhstan and Kyrgyz Republic have since terminated.

In 2000, the US International Trade Commission ruled that the suspension agreement with Russia would remain in force until March 2004. The Russian suspension agreement allows approximately 4 million pounds of Russian U3O8 per year to be imported into the US, but only to the extent it is matched in sales with an equal volume of new US production.

The Euratom Supply Agency in Europe, which must approve all uranium-related contracts entered into by members of the EU, has an informal policy limiting the use of Russian uranium to about 20% of annual individual utility requirements.

The US and EU restrictions have no effect on the sales of Russian uranium to other countries. About one-quarter of western world uranium requirements arise from utilities in countries unaffected by the US and EU restrictions. In 2003, approximately 23% of Cameco's sales volume was to countries not subject to US or EU restrictions. Utilities in some of these countries adopt policies which effectively limit the amount of Russian uranium they will purchase. Such policies often relate to security of supply concerns or their country's bilateral relations with Russia.

Prices

Utilities secure a substantial percentage of their uranium requirements by entering into medium and long-term contracts with uranium producers. These contracts usually provide for deliveries to begin one to three years after signing and continue for several years thereafter. In awarding medium and long-term contracts, Cameco believes utilities consider the commercial terms offered, including price, as well as the producer's record of performance and uranium reserves.

Prices are established by a number of methods including base prices adjusted by inflation indices, reference prices (generally spot price indicators but also long term reference prices) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions which affect the price ultimately paid. For example, the ceiling prices will limit the upside potential of price movement, while conversely the floor price establishes a minimum price that will ultimately be paid. Prices under uranium supply contracts are usually confidential.

Utilities also acquire uranium through spot and near-term purchases from producers and traders. Spot market purchases are those which call for delivery within one year. Traders generally source their uranium from organizations holding excess inventory including utilities, producers and governments. Demand in the spot market in 2003 increased from 20 million pounds U_3O_8 in 2002 to about 22 million pounds U_3O_8.

As reported by TradeTech, the spot market price for U_3O_8 increased by approximately 41% in 2003 ending the year at $14.40 (US) per pound compared to $10.20 (US) per pound at the end of 2002. In addition, due to trade restrictions and policies, a two-tier market previously existed such that there has been a discount for uranium of Russian origin. The two prices have largely converged and there is no longer a published price that specifically applies to Russian origin uranium.

Marketing

Cameco markets uranium to utilities in direct competition with supplies available from various sources worldwide. Cameco's marketing strategy is to commit its uranium production under medium-term (three to five years) and long-term (greater than five years) contracts with a diversified mix of pricing mechanisms. Uranium concentrates sold under medium-and-long term contracts may be governed by one of a variety of price determination mechanisms. For concentrates delivered by Cameco in 2003, the following pricing mechanisms applied: negotiated (6%), firm-price (29%) and market-related (65%).

Sales contracts typically contain some quantity flexibility that enables the purchaser to reduce or increase the amount of uranium to be delivered from year to year within a specified range. In general, utilities purchase from multiple suppliers in order to diversify their sources. Cameco sells uranium concentrates to utilities in Argentina, Belgium, Canada, Finland, France, Germany, Japan, South Korea, Spain, Sweden, Taiwan, United Kingdom, and the US.

In 2003, approximately 39% of Cameco's U_3O_8 sales were to five customers. For the period 2004 forward, Cameco has commitments in excess of 100 million pounds U_3O_8 under 66 medium-term and long-term contracts with about 40 customers worldwide. Cameco's five largest customers account for approximately 50% of these commitments. Over this period, 60% of Cameco's committed sales volume is to purchasers in the Americas (US, Canada and Latin America), 17% in the Far East and 23% in Europe.

Cameco generally does not sell into the spot uranium market. Cameco, however, has taken advantage of low spot and long-term market prices to purchase uranium under spot and long-term contracts. Cameco intends to deliver this purchased material into certain long-term contracts and may make additional purchases of this type in the future. At December 31, 2003, Cameco had firm commitments to purchase approximately 88 million pounds U_3O_8 over the 2004-2013 period, of which 64 million pounds is the result of Cameco Europe S.A.'s exercise of certain options under the HEU Commercial Agreement.

Mining Properties

The Company's uranium production is from two sources in Saskatchewan and two sources in the US. The Saskatchewan sources are the Rabbit Lake mine and mill and the combined McArthur River mine — Key Lake mill. The US sources are Crow Butte and Smith Ranch-Highland in situ leach ("ISL") operations. Cameco has two material uranium properties, McArthur River, which is being mined, and Cigar Lake, which is being developed.

The Key Lake mill processes McArthur River ore and stockpiled ore from the depleted Key Lake mine. Mining at Key Lake ended in 1997. At Rabbit Lake, mining ceased in April 1999 and milling ceased in May 2001 and both activities resumed in 2002.

The following table shows Cameco's share of uranium production for the past three years from its uranium properties (all in pounds U3O8):

	2001	2002	2003[1]
McArthur River[2]	12,048,000	12,905,000	10,579,000
Rabbit Lake	4,563,000	1,143,000	5,928,000
Smith Ranch-Highland [3]	695,000	887,000	1,201,000
Crow Butte	815,000	768,000	823,000
Key Lake	648,000	190,000	—
Total	18,769,000	15,893,000	18,531,000

Notes:

(1) This does not include nominal test mining uranium production from Inkai.

(2) Milled at Key Lake.

(3) A Cameco subsidiary acquired Smith Ranch in June 2002. Smith Ranch-Highland 2002 production figure includes the subsidiary's share of Smith Ranch production after closing of the acquisition. Smith Ranch-Highland 2001 production figures do not include Smith Ranch production.

McArthur River

McArthur River is an underground uranium mine, in which Cameco has a direct and indirect interest of 69.805%. It contains the world's largest known high-grade uranium deposit. McArthur River is owned by joint venture partners Cameco (55.844%), Cogema (16.234%) and UEM (27.922%), a company equally owned by Cameco and Cogema. Cameco is the operator. At December 31, 2003, the Company's share of proven and probable reserves were 559,000 tonnes of ore containing 304.7 million pounds U3O8 with an average grade of 24.7% U3O8 and its share of measured and indicated resources are 409,600 tonnes of material containing 85.7 million pounds with an average grade of 9.5% U3O8.

At an assumed annual production rate of 18 million pounds, Cameco estimates that McArthur River will have a mine life of at least 25 years and a payback period of capital invested of approximately 4 years after 2003.

Property Description and Environment

This property is located near Toby Lake in northern Saskatchewan, approximately 620 kilometres north of Saskatoon. The McArthur River mine site is compact, occupying approximately an area of one kilometre in the north/south direction and half a kilometre in the east/west direction. The site consists of an underground mine, one full service shaft and two ventilation shafts along with numerous surface facilities, including inert waste rock stockpiles, a large capacity mine water treatment plant, a pump house, ponds, standby diesel generators as well as maintenance and warehousing facilities. Other major facilities include the orebody freezing plant, the administration/shop complex, the ore slurry handling and truck load-out facility.

The surface facilities and mine shafts for the McArthur River operation are located on lands owned by the province of Saskatchewan. Cameco acquired the right to use and occupy the lands under a surface lease agreement with the province of Saskatchewan. The most recent surface lease agreement was signed in April 1999 and is valid for 33 years. Obligations attached to the surface lease relate primarily to annual reporting regarding the status of the environment, land development and progress on northern employment and business development. The lease is renewable if necessary until full property decommissioning has been achieved. The McArthur River surface lease presently covers about 651 hectares.

The mineral property consists of 21 mineral claims and one mineral lease totaling 84,818 hectares.

The McArthur River uranium deposit is located in the area subject to mineral lease ML5516. Under this mineral lease Cameco acquired the right to mine this deposit. The current mineral lease expires in March 2004 with the right to renew for successive subsequent 10 year terms absent a default by Cameco. An application to renew the current mineral lease has been submitted.

Surrounding the McArthur River uranium deposit are 21 mineral claims. A mineral claim grants the holder the right to explore for minerals within the claim lands and the right to apply for a mineral lease. Title to the 21 mineral claims is secured until 2017.

All resources and reserves on the property are part of the McArthur River orebody.

For additional information on mineral leases, mineral claims and surface leases, see “Land Tenure-Saskatchewan Operations”.

Uranium produced from this property is subject to Saskatchewan royalties as described in “Government Regulation-Canadian Royalties and Certain Taxes”. Also UEM, with respect to its participating interest in the McArthur River joint venture, is required to pay 5% of net profits, up to a maximum of $1.9 million, to a third party.

The property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $6.0 million letter of credit as security for decommissioning the property.

Two permits must be maintained to operate the mine. Cameco holds a “Uranium Mine Facility Operating Licence” from the Canadian Nuclear Safety Commission (“CNSC”) and an “Approval to Operate Pollutant Control Facilities” from Saskatchewan Environment (“SE”). Both permits are current. The “Uranium Mine Operating License” from the CNSC, which was to expire on February 28, 2004, has been extended for eight months in order to accommodate the work needed to support licence renewal later in 2004. The “Approval to Operate Pollutant Control Facilities” from SE expires on October 31, 2004. Cameco expects regulators will renew these permits.

Site accessibility, infrastructure and physiography

The means of access to the property is by an all-weather road and by air. Supplies are transported by truck and can easily be shipped from anywhere in North America through Cameco’s transit warehouse in Saskatoon. McArthur River ore is transported to the Key Lake mill for processing some 80 kilometres to the southwest along a gravel highway. Site operations are carried out all year despite cold winter conditions. The fresh air necessary to ventilate the underground workings is heated during the winter months using propane-fired burners. There is easy access to and sufficient water from nearby Toby Lake to satisfy all industrial and residential water requirements. To minimize fresh water use, most industrial water demands are met by recycling water. The site is connected to the provincial power grid. There are standby generators in case of grid power interruption. Personnel are recruited from the northern area communities and major Saskatchewan population centers such as Saskatoon. Underground development work is tendered to a mining contractor. Cameco personnel conduct all production functions.

McArthur River is a developed producing property, with surface right holdings that cover all of its mining operation needs as well as requirements for residences, access to water, airport, site roads and other necessary buildings and infrastructures. No tailings management facilities are required as McArthur River ore is milled at the Key Lake mill.

The topography and the environment is typical of the taiga that is common to the Athabasca basin area of northern Saskatchewan. The surface facilities are approximately 550 metres above sea level.

History

There have been numerous changes in ownership of participating interests in the joint venture that governs the McArthur River property. The joint venture was formed in 1976 and the joint venture partners at that time were Canadian Kelvin Resources, Asamera Oil Corporation Ltd., and SMDC, a predecessor company to Cameco. Recently, the two most significant changes in ownership have been:

- In 1998, Cameco bought all of the shares of Uranerz Exploration and Mining Ltd. (and changed Uranerz’s name to UEM), thereby increasing its direct and indirect participating interest in the McArthur River joint venture to 83.766%.
- In 1999, Cogema acquired one-half of the shares of UEM, thereby reducing Cameco’s direct and indirect participating interest in the McArthur River joint venture to 69.805%. Cogema’s direct and indirect participating interest in the McArthur River joint venture is 30.195%.

Cameco, through its predecessor company SMDC, became operator of the McArthur River project in 1980. Surface exploration programs, ranging from small line cutting crews to large helicopter supported drilling and prospecting camps, were active from 1980 through to 1992. Surface drilling programs delineated an ore zone over 1,700 metres in length, occurring at depths ranging between 530 to 640 metres below surface. Significant mineralizations of potentially economic uranium grades were first discovered as a result of surface drilling in the 1988 and 1989 exploration seasons.

In 1992, an underground exploration program was proposed to gain more accurate information regarding the discovery in order to complete an assessment of the means and feasibility of ore extraction. Upon review by the joint Federal/Provincial Panel, and upon receiving the Panel's positive recommendation, exploration camp construction began in February 1993 and underground exploration proceeded with shaft sinking, level development and definition underground drilling until 1997.

The environment impact statement for the full McArthur River development was submitted to the joint Federal/Provincial Panel in 1995. Public hearings took place and were completed in 1996. A positive recommendation was made by the panel in early 1997. Subsequently, approvals were received from the governments of Canada and Saskatchewan for the project to proceed to licensing for construction. The Atomic Energy Control Board ("AECB") issued construction licences for McArthur River in August 1997 and May 1998.

In October 1999, Cameco received an operating licence from federal authorities and operating approval from provincial authorities.

Mine Development

Construction and development of the McArthur River mine was completed on schedule and mining commenced in December 1999. During the mine startup, also known as mine commissioning, the operation of processing and mining equipment was evaluated and modified as required. Upon completion of mine commissioning, commercial production was achieved on November 1, 2000.

At present, the site includes three shafts. The first shaft is used to move workers, material and waste rock. The second shaft is used for mine exhaust air ventilation and as an emergency exit. The third shaft was completed in November 2000 and is equipped as a third means of egress. This shaft is also used for fresh air ventilation.

Geology and Mineralization

The McArthur River deposit is located in the southeastern portion of the Athabasca Basin, within the southwest part of the Churchill structural province of the Canadian Shield. The crystalline basement rocks underlying the deposit are members of the Aphebian aged Wollaston Domain, metasedimentary sequence. These rocks are overlain by flat lying, unmetamorphosed sandstones and conglomerates of the Helikian Athabasca Group. These sediments are over 500 metres thick in the deposit area.

The mineralization is situated alongside a northeast trending graphitic fault, close to the unconformity between the basement rock and the overlying Athabasca sandstone.

Exploration, Drilling and Estimates

The original McArthur River resource estimates were derived from surface diamond drilling. The drill hole data consists of assay results from 42 drill holes compiled with all relevant geological and technical data. The very high grade encountered in these drill holes justified the development of an underground exploration project.

From 1994 to present, several drilling campaigns from underground levels at 530 metres and 640 metres depth were completed. Diamond drilling was followed by systematic radiometric probing of the holes using a high flux probe adapted to the very high radioactivity encountered. Drill holes intersected mineralized zones on a grid spacing of 10 × 10 metres or less. Radiometric probing was at 0.10 metre spacing in the radioactive zones. Where core recovery allows it, sampling and assaying of the cores as well as density measurements are performed to confirm correlations. To date, assays have produced results slightly (8-10%) above the calculated ore grades that were derived from the radiometric probing data.

The data from more than 500 underground exploration holes drilled to the end of 2003 have been interpreted and estimates of reserves have been made in four mineralized zones. In addition to this drilling, more than 150 freeze holes and raisebore pilot holes have provided data confirming the interpretation.

Cameco has developed and implemented procedures for quality control, data verification and security of sampling that it believes will assure the integrity of information resulting from drilling activities at McArthur River.

Mine Operations

Production at Cameco's McArthur River mine was temporarily suspended on April 6, 2003, as increased water inflow from an area of collapsed rock in a new development area, located just above the 530-metre level, began to flood portions of the mine. Remedial work to return the mine to safe operating condition was carried out during the second quarter of 2003 and was sufficiently advanced in early July, 2003 for mine production to resume.

At McArthur River, the approach to sealing off the water inflow continues to be cautious and thorough in grouting, freezing and testing the area of the collapse. From a high of about 1,000 cubic metres per hour (m^3/hr), the total mine inflow has been reduced to approximately 500 m^3/hr at the end of 2003. It is expected that normal water inflow into the mine will stabilize at about 300 m^3/hr once this work is completed, now expected in the second quarter of 2004. Prior to the flooding incident, normal water inflow was about 225 m^3/hr.

In addition, permanent water treatment capacity has been expanded to about 750 m^3/hr at the end of 2003, up from 450 m^3/hr. During the water inflow incident, additional temporary capacity was put in place to treat the water flows. For 2004, plans are in place to increase the permanent and contingency water treatment capacity to about 1,500 m^3/hr.

The McArthur River mine produced 15.2 million pounds U_3O_8 in 2003 (Cameco's share is 10.6 million). During the period July 2003 to December 2003 the McArthur River mine's production was equivalent to an annual production rate of about 21.8 million pounds U_3O_8.

The sandstones which overlay the basement rocks contain significant water, which is at hydrostatic pressure. Water flow into the mine area is prevented primarily by ground freezing. Ore extraction is performed by the raise boring method with broken ore falling into a line-of-sight remote controlled loader. The loader transports the ore to one of two grizzlies. One grizzly routes ore to one of two ore storage bins while the other grizzly reports directly to the grinding circuit. This circuit grinds the ore to a size that is acceptable for the Key Lake leaching circuit. From the grinding circuit, ore is thickened in two underground thickeners that operate in parallel. Thickened ore is pumped 680 metres up to four surface ore slurry holding tanks. Ore is drawn out of the four surface ore slurry holding tanks into a mixing tank. More water is removed in another thickener. Ore slurry is then pumped into containers on a transport truck for shipment to the Key Lake mill over an 80 kilometre all-weather road. Once a raise has bored through the ore zone, it is backfilled with concrete. The next raise is then bored at a suitable distance away to allow cure time for the concrete fill. After all the rows of raises are complete in a chamber, equipment is removed from the area and the chamber is backfilled with concrete. A new chamber is excavated to allow for the next area to be mined and the cycle is repeated.

The mining method for some portions of the ore body will not be the raise boring method, with the alternate mining method or methods not yet confirmed.

Milling

The McArthur River joint venture has entered into a toll milling agreement with the Key Lake joint venture to process all the ore from the McArthur River mine. The terms of the agreement include a provision for processing at cost plus a fixed toll milling fee. The Key Lake joint venture is operated by Cameco and is owned by Cameco (66 2/3%) and UEM (33 1/3%). UEM is owned equally by Cameco and Cogema.

At the Key Lake mill, McArthur River ore is blended with low grade mineralized waste rock down to approximately 4% U_3O_8. The uranium is then dissolved in a single stage leaching circuit. Uranium solution is then separated from the remaining ore solids in a counter current decantation circuit. The uranium solution is purified in a solvent extraction circuit. The purified uranium is precipitated out of solution by the addition of ammonia. The ammonium diuranate is thickened and centrifuged before being transferred to a calciner. The calciner dries and calcines the uranium oxide concentrate before it is packed into 200 litre drums. The final product is about 99 % U_3O_8.

Two permits must be maintained to operate the mill. Cameco holds a “Uranium Mill Operating Licence” from the CNSC and an “Approval to Operate Pollutant Control Facilities” from SE. Both permits are current. The “Uranium Mill Operating License” from the CNSC, which was to expire on February 28, 2004, has been extended for eight months in order to accommodate the work needed to support licence renewal later in 2004. The “Approval to Operate Pollutant Control Facilities” from SE expires on November 30, 2004. Cameco expects regulators will renew these permits.

The Key Lake property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $38 million letter of credit as security for decommissioning the property.

There are two tailings management facilities at the Key Lake site. One is an above-ground impoundment with tailings stored within compacted till embankments. This facility was constructed in 1983, has not received tailings since 1998 and is now almost full. Cameco is reviewing several decommissioning options regarding this facility.

The other tailings management facility (“TMF”) is the Deilmann pit. The east-end of the Deilmann pit was mined out in April 1995 and then converted to a TMF that has been in operation since the beginning of 1996. The west-end of the Deilmann pit was mined out in 1997 and then converted to a TMF. The Deilmann TMF uses a staged subaerial/subaqueous tailings deposition mode with an initial pervious sand envelope constructed around the perimeter of the pit. The sand envelope allows excess water to drain to a drainage blanket underlying the tailings at the bottom of the pit and then to dewatering pumps in a raise well connected by a drift to the drainage blanket. At the end of 1998, approval was received from the CNSC and Saskatchewan Environment Resource Management to cease construction of the sand envelope and convert the mode of tailings deposition from subaerial to subaqueous. This is in accordance with the environmental impact statement prepared and approved for the tailings facility. Conversion started immediately. Flooding commenced in June 1999. Based upon current reserve estimates, the Deilmann TMF has adequate capacity to hold the tailings from milling all of the McArthur River ore.

There are five large rock stockpiles at the Key Lake site. Three of the stockpiles contain non-mineralized waste rock and two contain low grade mineralized waste rock. The latter is currently used to lower the grade of McArthur River ore to approximately 4% U_3O_8 before entering the milling circuit, both to process the low grade material and control radiation exposures in the mill. Remaining waste rock stockpiles will require decommissioning upon site closure.

Safety and Radiation Control

At McArthur River, a key source of radiation exposure during mining results from radon gas that emanates from ore and groundwater. Radon exposure is minimized by effective use of ventilation. Water inflows are collected underground and pumped to the surface for treatment before being released to the environment. Exposure to radiation from the high-grade ore is minimized by containment, shielding and remote handling of the ore during the processing and handling stages.

The radiation levels that workers at McArthur River and Key Lake receive are closely monitored. This includes the use of both personal and area monitoring to measure and control exposures.

Under the CNSC’s Nuclear Safety and Control Act, radiation exposure limits incorporate a formula that combine the doses of gamma radiation, radon and dust intake which an individual receives in a year. Since mine start up and milling of McArthur River ore at Key Lake, radiation exposure levels have been well below applicable standards.

McArthur River Resource and Reserve Estimates

The mineral reserve and resource estimates for McArthur River are found at “Uranium Concentrates Business-Reserves and Resources”. The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

   (a) the reserves reported are in situ reserves without provision for dilution or mining recovery for the following reasons:

(i) the grade of ore zones is so high that some waste or subgrade material that is produced by mining must be blended with ore in order to control radiation exposure, in accordance with the terms of the CNSC operating licence;

(ii) mining recovery is expected to be almost total in this high-grade ore by means of current and planned mining methods; and

(iii) mining recoveries since early 2000 to the end of 2003 have exceeded expectations.

(b) Uranium prices remaining above their historic lows.

2. Key Parameters

(a) grades were obtained from radiometric probing of underground drill holes and converted to percentage U3O8 on the basis of a correlation between radiometric counts and assay values;

(b) densities were determined from regression formulas based on 374 density measurements of drill core and chemical assay grades;

(c) limits and continuity of the mineralization are structurally controlled; and

(d) reserves at McArthur River are based on estimated quantities of mineralized material recoverable by established mining methods.

3. Key Methods

(a) three-dimensional wireframe models were created from digitized mineralization boundaries interpreted on 10 metre spacing vertical cross-sections and planviews. Estimates of the grade and density of blocks of 1 metre x 5 metre x 1 metre were obtained from ordinary kriging; and

(b) reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes that McArthur River reserve and resource estimates will not be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the uranium price, subsequent to the date of the estimate, may justify revision of such estimates.

In January 2003 Cameco initiated a formal review of the mining plan and proposed mining methods and a review of the reserves classification at McArthur River as a result of uncertainty associated with the productivity of the jetboring and boxhole boring mining methods at McArthur River and not as a result of the water inflow event. The jetboring and boxhole boring mining methods may be utilized for parts of the ore body where the raise boring method may be inappropriate. The completion of the review reflecting this uncertainty resulted in the reclassification of 51.8 million lbs U3O8 of proven reserves to probable reserves at McArthur River.

Other McArthur River Information

For information pertaining to:

(a) markets and contracts for sale of uranium produced from McArthur River, see “Uranium Concentrates Business-Marketing”; and

(b) taxes and royalties on McArthur River uranium production, see “Government Regulation-Canadian Royalties and Certain Taxes” and “Government Regulation-Canadian Income Taxes”.

There are some exploration or development activities planned for the McArthur River operation in 2004 but these are not considered to be material.

Rabbit Lake

Rabbit Lake is a uranium mining and milling complex that has been in operation since 1975 and is wholly owned by Cameco. The Eagle Point mine, located on the Rabbit Lake lease, was reopened in 2002, ending a care and maintenance period of three years. Following resumption of Eagle Point ore production, the Rabbit Lake mill also resumed operation in 2002, ending a one-year care and maintenance period. Based upon the current mine plan, Rabbit Lake reserves are forecast to be depleted in early 2006. The mineral reserve and resource estimates for Rabbit Lake are found at "Uranium Concentrates Business-Reserves and Resources".

Cameco is conducting exploration from surface and underground to determine if there is sufficient reserves to extend the Eagle Point mine life. Pending the results of this exploration it is possible that the mine life will be extended.

There are two permits that must be maintained to conduct mining and milling activities at Rabbit Lake. Cameco holds a "Uranium Mine Operating Licence" from the CNSC and an "Approval to Operate Pollutant Control Facilities" from SE. Both permits are current and will expire on October 31, 2008.

The property is subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has filed with the provincial government a conceptual decommissioning and reclamation plan and has provided a $36 million letter of credit as security for decommissioning the property.

Subject to regulatory approval and mutually satisfactory business arrangements among the Cigar Lake owners, it is expected that the Rabbit Lake mill will process approximately one-half of the Cigar Lake uranium for a period of some 9 years. Deliveries of Cigar Lake uranium to the Rabbit Lake mill may commence in 2009. An environmental impact statement for the processing of uranium from the Cigar Lake mine at Rabbit Lake is expected to be filed with regulators by mid-2005.

Crow Butte

Crow Butte, which has been in production since 1991, is an ISL uranium operation located near Crawford, Nebraska, USA. Cameco holds a 100% interest in Crow Butte through its wholly owned subsidiary, Crow Butte Resources Inc. The mineral reserve and resource estimates for Crow Butte are found at "Uranium Concentrates Business-Reserves and Resources".

Crow Butte is subject to decommissioning liabilities. In accordance with regulatory requirements, the operator of the property has provided a $14.9 million (US) letter of credit to the State of Nebraska as security for decommissioning the property.

Smith Ranch - Highland

Smith Ranch - Highland is an ISL uranium operation located near the towns of Glenrock and Douglas, Wyoming, USA. It is owned 100% by Cameco through its wholly owned subsidiary, Power Resources, Inc. ("PRI").

In July 2002, PRI purchased the Smith Ranch ISL uranium operation. It is located in Wyoming, adjacent to PRI's Highland operation. As part of the purchase, PRI assumed decommissioning liabilities, estimated at $9.2 million (US), associated with Smith Ranch and purchased about $6 million (US) in uranium inventory. Cameco guaranteed PRI's assumption of these decommissioning liabilities. In connection with the acquisition, PRI secured forward sales contracts of more than 900,000 pounds of Smith Ranch production at prices substantially above the long-term market indicators at that time.

The Smith Ranch mill processes all Smith Ranch and Highland ISL mined uranium. As a result, the Highland mill is being maintained on a care and maintenance basis.

Smith Ranch - Highland is subject to decommissioning liabilities. In accordance with regulatory requirements, PRI has provided letters of credit totaling $37.2 million (US) to the State of Wyoming as security for decommissioning these properties.

The mineral reserve and resource estimates for Smith Ranch - Highland are found at "Uranium Concentrates Business-Reserves and Resources".

Development Projects

Cameco has one material uranium development project - Cigar Lake in Saskatchewan. Cameco expects production to begin at Cigar Lake no earlier than 2007. Cameco also has a uranium development project in Kazakhstan called Inkai. Inkai received all necessary government approvals to build and operate a test ISL mine. Construction of the test mine began in November 2000 and testing commenced in early 2002 and continues.

Continued development and start up of production at these two projects is subject to market conditions and to the timely receipt of all necessary approvals, permits and licences.

Cigar Lake

Cigar Lake is the world's second largest known high-grade uranium deposit. Cigar Lake is owned by joint venture partners Cameco (50.025%), Cogema (37.1%), Idemitsu Uranium Exploration Canada Ltd. (7.875%) and TEPCO Resources Inc. (5.0%). Cameco is the operator. At December 31, 2003, Cameco's share of proven and probable reserves were 276,000 tonnes of ore containing 115.8 million pounds U3O8 with an average grade of 19% U3O8 and inferred resources of 159,000 tonnes of material containing 59.1 million pounds with an average grade of 16.9% U3O8.

From the commencement of production and at an assumed annual production of 18 million pounds, Cameco estimates the first phase of Cigar Lake will have a mine life of approximately 13 years and a payback period of capital invested of approximately 7 years.

Property Description and Environment

The Cigar Lake minesite is located near Waterbury Lake, approximately 660 kilometres north of Saskatoon. The Cigar Lake minesite was developed for the activities of test mining. At present, the site consists of an underground development, complete with two main levels and a 500-metre mine shaft and head frame, water treatment ponds, standby generators, freeze plant, office, shop, warehouse, construction residences and support installations.

The surface facilities and mine shaft for the Cigar Lake project are located on lands owned by the province of Saskatchewan. Cameco acquired the right to use and occupy the lands under a surface lease agreement with the province of Saskatchewan. The surface lease was signed in 1987 and is valid for 33 years. Obligations attached to the surface lease agreement primarily relate to annual reporting regarding the status of the environment, the land development and progress made on northern employment and business development. The lease is renewable if necessary until full property decommissioning has been achieved. The Cigar Lake surface lease covers a total of 974 hectares.

The mineral property consists of one mineral lease, totaling 308 hectares, and 25 mineral claims, totaling 92,740 hectares. The mineral lease and mineral claims are contiguous. The Cigar Lake deposit is located in the area subject to mineral lease ML5521. The right to mine this uranium deposit was acquired under this mineral lease, as renewed, effective December 1, 2001. The mineral lease is for a term of 10 years with the right to renew for successive subsequent 10 year terms absent a default by Cameco.

Surrounding the Cigar Lake deposit are 25 mineral claims. A mineral claim grants the holder the right to explore for minerals within the claim lands and the right to apply for a mineral lease. Title to the mineral claims is secured until 2023.

All reserves and resources on the property are part of the Cigar Lake orebody.

For additional information on mineral leases, mineral claims and surface leases, see "Land Tenure-Saskatchewan Operations".

Uranium produced from this property will be subject to Saskatchewan royalties as described in "Government Regulation-Canadian Royalties and Certain Taxes".

The property is subject to decommissioning liabilities. In accordance with regulatory requirements Cameco, as project operator has filed with the regulatory agencies a conceptual decommissioning and reclamation plan for the test mining infrastructure and surface disturbance. Financial assurances have been provided by each of the owners for a total amount of $4.2 million to cover their respective portion of the decommissioning work.

The Cigar Lake site has been operated under various permits, licences and leases granted for the purpose of the test mine, all of which are currently in good standing. The “Uranium Mine Site Preparation License” from the CNSC will expire on July 31, 2004, but it will likely be extended to coincide with the anticipated issuance of the construction license. The current “Approval to Operate Pollutant Control Facilities” from SE will expire May 31, 2004. Cameco expects regulators will renew these permits. Cameco applied for a construction licence in 2002. Cameco expects to receive the licence in late 2004, subject to confirmation by the regulators of their licensing process.

Site accessibility, infrastructure and physiography

Access to the property is by road and by air. Supplies are transported by truck on an all-weather road and can be easily shipped from anywhere in North America through Cameco’s transit warehouse in Saskatoon. Site activities are carried out all year despite the cold weather during the winter months. The fresh air is heated with propane-fired burners before being introduced underground when the air temperature is below freezing. The water for the industrial activities and the camp come from nearby Waterbury Lake. The site is connected to the provincial electricity grid. There are standby generators in case of grid power failures. Personnel are recruited from the northern communities and major population centers such as Saskatoon. The underground work is tendered to a mining contractor.

The surface lease grants sufficient rights, subject to regulatory approvals, for mining operations and the lands subject to the surface lease are sufficient for personal accommodation, access to water, airport, site roads and other necessary buildings and infrastructure. Cameco expects that tailings management facilities will not be required at Cigar Lake, as ore will not be milled at Cigar Lake.

The topography and the environment is typical of the taiga forested lands common to the Athabasca basin area of northern Saskatchewan. The area is covered with thick overburden. The site is approximately 490 metres above sea level.

History

The first uranium mineralization discovery at Cigar Lake was in May 1981. Since that time, the deposit has been defined by approximately 200 holes and 92,000 metres of core drilling from surface. Cigar Lake Mining Corporation (“CLMC”) has been operator of the project since 1985. Effective January 1, 2002, Cameco replaced CLMC as operator.

In 1993, a preliminary feasibility study was delivered to the joint venture partners. An environment impact statement was filed with the relevant regulatory agencies in 1995. Technical challenges involving groundwater, rock properties and radiation protection were evaluated and addressed during the test mining phase.

Public hearings on the project environment impact statement were concluded in 1997 and the joint federal-provincial panel recommended to the governments of Canada and Saskatchewan that the project be allowed to proceed, subject to resolution, on terms acceptable to regulatory authorities, of issues with respect to a tailings management facility and waste rock disposal. In April 1998, both levels of government accepted the joint panel recommendations and authorized the project to proceed to the regulatory licensing stage.

In early 2003, the CNSC informed Cameco that a new screening level environmental assessment would need to be carried out prior to the issuance of construction and operating licences. Terms of the environmental assessment were approved by the CNSC mid-year, and by February 2004 the supporting environmental assessment study documentation had been filed. Acceptance of the new environmental assessment is anticipated in mid-2004, allowing the project to proceed to construction licensing.

Geology and Mineralization

The Cigar Lake deposit is located approximately 40 kilometres inside the margin of the eastern part of the Athabasca Basin. It occurs at the unconformity contact between rock of the Athabasca Group and underlying lower Proterozoic Wollaston Group metasedimentary rocks, an analogous setting to the Key Lake, the McClean Lake and Collins Bay deposits. It shares many similarities with these deposits, including general structural setting, mineralogy, geochemistry, host rock association and the age of the mineralization. The Cigar Lake deposit is distinguished from other similar deposits by its size, its very high grade, and the high degree of associated

hydrothermal clay alteration. The deposit is flat lying, approximately 1950 metres long, 20 to 100 metres wide, and ranges up to 16 metres thick. It occurs at depths ranging between 410 to 450 metres below the surface.

Exploration and Estimates

The exploration of the Cigar Lake deposit was performed by Cogema. A data bank was created from all assay measurement of the various elements. Algorithms were established for the density determination based on the nature of the mineralization and of the surrounding ground.

Cogema produced for CLMC various reserve and resource estimates. These estimates were reviewed in 2000 by a task force from Cogema, CLMC and Cameco. New test reserve and resource estimates were completed both by Cogema and Cameco and the results were compared.

A new definition of the reserves based on the latest technical tests and economics has been implemented. The new definition is based on a minimum uranium content and a minimum grade for each estimated block.

Cameco believes that Cogema developed and implemented acceptable procedures for quality control, data verification and security of information resulting from exploration drilling activities at Cigar Lake.

Test Mining

A test mining program was approved in late 1987. Shaft sinking began in 1988, reaching a final depth of 501 metres in early 1990. Horizontal development was advanced on two levels and test mining in frozen ground, using box hole boring and high pressure water jet boring, was successfully carried out in 1991 and 1992.

During 1998, CLMC successfully tested a mechanical mine development system suitable to local underground conditions and at year-end commissioned a freeze hole drilling system. Also, throughout 1998, CLMC produced a number of engineering studies that examined project development and milling options.

In 1999 and 2000, further jet boring tests were completed with improved systems. Information acquired from these tests were used to update the feasibility study, which was later approved by the joint venture partners in June 2001.

Subject to regulatory approval, the jet boring mining method will consist of four metre diameter holes bored with a high pressure water jet in the previously frozen high grade orebody. The ore will be ground and slurried underground, pumped to surface and loaded into specialized containers. All the ore slurry will be shipped to Cogema's McClean Lake mill for processing. Approximately one-half of the resulting pregnant acqueous solution will then be processed at the McClean Lake mill with the other half being transported to the Rabbit Lake mill for further processing. See *"Rabbit Lake".*

Cigar Lake Resource and Reserve Estimates

The mineral reserve and resource estimates for Cigar Lake are found at "Uranium Concentrates Business-Reserves and Resources". The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

   (a) the reserves reported include allowances for dilution and mining recovery;

   (b) no such allowances are applied to mineral resources;

   (c) the minimum grade for proven reserves is 5.9% U3O8 and for probable reserves is 1.2% U3O8; and

   (d) uranium prices remaining above their historic lows.

2. Key Parameters

   (a) grades (percentage U3O8) were obtained from assaying of drill core and checked against radiometric results. In areas of lost core or poor recovery, reliance was placed on radiometric grade determined from the gamma probing;

(b) where density was not directly measured for each sample, a correlation between uranium grade and density was applied; and

(c) reserves at Cigar Lake are based on estimated quantities of mineralized material recoverable by established mining methods.

3. Key Methods

(a) the geological interpretation of the orebody outline was done on planviews, a two-dimension horizontal block model delineates the deposit with block of size 15 metres x 6 metres;

(b) ordinary kriging served to estimate the grade, thickness and density of the blocks; and

(c) reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes Cigar Lake reserve and resource estimates are unlikely to be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the uranium price, subsequent to the date of the estimate, may justify revision of such estimates.

Other Cigar Lake Information

For information pertaining to:

(a) markets and contracts for sale of uranium produced from Cigar Lake, see “Uranium Concentrates Business-Marketing”; and

(b) taxes and royalties on Cigar Lake uranium production, see “Government Regulation-Canadian Royalties and Certain Taxes” and “Government Regulation-Canadian Income Taxes”.

Material development activities are currently planned for the Cigar Lake project. In June 2001, the joint venture partners approved the feasibility study and the detailed engineering design was initiated and is continuing. A preliminary estimate of the project development costs is $350 million on a 100% basis. Subject to regulatory approvals and market trends, production at the Cigar Lake mine could begin no earlier than 2007.

The construction license is now expected in late 2004. In advance of this, activities requiring considerable advanced planning are expected to continue. Procurement is planned for several long-lead time items including the second hoist and head frame complex, the freezing system, freeze hole drilling and the electrical distribution system.

Inkai

Inkai is an ISL project located in the Republic of Kazakhstan and consists of three contiguous license blocks (leases). The project is owned and operated by Joint Venture Inkai, which is owned by Cameco (60%) and Kazatomprom (40%). The latter is a company owned by the Republic of Kazakhstan. Cameco’s share of proven and probable reserves is 51.8 million tonnes at an average grade of 0.05% U_3O_8 for 54.9 million pounds. Cameco’s share of measured and indicated resources is 2.2 million tonnes at 0.04% U_3O_8 for 1.7 million pounds U_3O_8 and of inferred resources is 152.4 million tonnes at 0.05% U_3O_8 for 160.8 million pounds.

In April 1999, Inkai received from the government of Kazakhstan a mining (extraction) licence for Block No. 1 and an exploration licence for Blocks No. 2 & 3. The associated subsoil use contract, covering both licences, was signed by the government and Joint Venture Inkai in July 2000. Subsequent to signing of the contract, Joint Venture Inkai obtained the permits and authorizations needed to start construction of the test mine at Block No. 2. Construction of the test mine facilities was substantially completed in December 2001. Test mining operations commenced in April, 2002 following the federal government’s formal inspection and acceptance of the newly constructed facilities and continued throughout 2003. A Feasibility Study has now been completed on the planned construction and operation of a commercial facility at Block 1. During 2004, an Environmental Assessment and Design Plan for construction

of the commercial facility will be prepared and submitted to Kazakh authorities for approval in accordance with the requirements of local law.

An environmental impact assessment regarding Block 1 of the planned commercial mine is expected to be completed in 2004.

The Inkai ISL project is subject to decommissioning liabilities. Subsequent to commencement of commercial production, Joint Venture Inkai is required to establish a separate bank account and make contributions to the account as security for decommissioning the property. Contributions to such bank account are capped at $500,000 (US).

Cameco has agreed to provide funding to Joint Venture Inkai of up to $40 million (US) for project development. To December 31, 2003, Cameco, through subsidiaries, had advanced $19.5 million (US) ($25.1 million (Cdn)).

Exploration

Cameco carries out mineral exploration for new uranium resources on substantial landholdings, principally located in two areas: the Athabasca basin of northern Saskatchewan and the Arnhem Land region in Northern Territory, Australia. The subdivision of lands (properties in which Cameco holds interests greater than 10%) and uranium exploration expenditures is as follows:

Area	hectares at Dec. 31 2003	2003 actual expenditures (000's)
Saskatchewan	615,000	7,200
Northwest Territories	31,000	100
Australia	2,055,000	4,400
Other	21,000	1,500
Totals	2,722,000	13,200

The majority of Cameco's exploration lands are explored as joint ventures with other mining companies, with Cogema the most common joint venture partner. At year-end 2003, Cameco operated approximately three-quarters of its exploration projects, including joint ventures. The majority of Cameco's exploration projects are early to middle stage, on which indications of economic grades or quantities of uranium have not yet been identified.

Cameco periodically acquires new exploration land holdings in both Canada and Australia, where the Company perceives the discovery potential to be worth the cost of acquiring and holding the land. At the same time, the Company may decide to reduce its interest in certain projects through farm-out agreements or other arrangements.

Cameco owned a 29% interest in UEX Corporation at December 31, 2003, a junior exploration company formed in 2002 from a combination of exploration assets previously held by Cameco and Pioneer Metals Corporation, and has certain rights related to financing, milling, and marketing future uranium deposits produced by UEX.

Since many areas of the world are known to host numerous types of uranium mineralization, Cameco actively investigates the uranium exploration potential of areas other than those described above. No major projects are currently being undertaken in areas outside Canada and Australia.

Reserves and Resources

Reserve and resource estimates for Cameco's uranium properties as presented in this Annual Information Form were prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Alain Gaston Mainville, Geologist and Professional Geoscientist, who is Manager, Mining Resources and Methods at Cameco	McArthur River, Rabbit Lake, Key Lake and Dawn Lake
Raymond Jean-François Chauvet, Geological Engineer and Professional Geoscientist, who was Director, Mining Resources and Methods at Cameco.	Cigar Lake and Inkai
Steve Lunsford, Registered Professional Geologist Wyoming, who is Senior Project Geologist at Power Resources, Inc.	Crow Butte, Gas Hills, Highland, North Butte/Brown Ranch, NorthWest Unit, Peach, Reynolds Ranch, Ruby Ranch, Ruth, Shirley Basin and Smith Ranch.

Cameco's reserve and resource estimates are obtained from internally generated data or audited reports.

Uranium Reserves [(1)]

The following table shows the estimated uranium reserves as at December 31, 2003 on a property basis and Cameco's share. The amount of reported resources does not include amounts identified as reserves.

	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)			Content Cameco's Share	
	Tonnes	Grade% U3O8	Content (lbs U3O8)	Tonnes	Grade %U3O8	Content (U3O8)	Tonnes	Grade %U3O8	Content (lbs U3O8)	(lbs U3O8)	Mining Method(2)
					(tonnes and lbs in thousands)						
PROPERTY											
Cigar Lake	497.0	20.67	226,331.0	54.0	4.41	5,248.0	551.0	19.07	231,579.0	115,847.0	UG
Crow Butte	876.0	0.23	4,528.5	338.0	0.27	1,998.5	1,214.0	0.24	6,527.0	6,527.0	ISL
Gas Hills	1,677.0	0.17	6,361.0	1,000.0	0.18	4,010.0	2,677.0	0.18	10,371.0	10,371.0	ISL
Highland	1,060.0	0.12	2,831.0	1,628.0	0.14	5,143.0	2,688.0	0.13	7,974.0	7,974.0	ISL
Inkai	22,700.0	0.06	28,281.0	63,700.0	0.05	63,216.0	86,400.0	0.05	91,497.0	54,898.0	ISL
Key Lake	61.9	0.52	708.0	—	—	—	61.9	0.52	708.0	590.0	OP
McArthur River	596.8	26.63	350,208.0	204.5	19.14	86,271.0	801.3	24.71	436,479.0	304,684.0	UG
North Butte / Brown Ranch	—	—	—	2,666.0	0.13	7,452.0	2,666.0	0.13	7,452.0	7,452.0	ISL
Peach	609.0	0.18	2,424.0	418.0	0.22	2,060.0	1,027.0	0.20	4,484.0	4,484.0	ISL
Rabbit Lake	440.0	1.29	12,490.0	—	—	—	440.0	1.29	12,490.0	12,490.0	UG
Ruby Ranch	1,426.0	0.09	2,896.0	1,013.0	0.06	1,424.0	2,439.0	0.08	4,320.0	4,320.0	ISL
Ruth	—	—	—	519.0	0.11	1,249.0	519.0	0.11	1,249.0	1,249.0	ISL
Smith Ranch	2,944.0	0.09	5,842.0	6,789.0	0.09	13,601.0	9,733.0	0.09	19,443.0	19,443.0	ISL
Total	32,887.4	0.89	642,900.5	78,329.5	0.11	191,672.5	111,216.9	0.34	834,573.0	550,329.0	

Notes:

(1) Canadian Securities Administrators' National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

Uranium Resources [1]

The following table shows the estimated uranium resources as at December 31, 2003 on a property basis and Cameco's share. The amount of reported resources does not include amounts identified as reserves.

	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED (100% basis)			Content Cameco's Share	
	Tonnes	Grade% U3O8	Content (lbs U3O8)	Tonnes	Grade %U3O8	Content (U3O8)	Tonnes	Grade %U3O8	Content (lbs U3O8)	(lbs U3O8)	Mining Method(2)
					(tonnes and lbs in thousands)						
PROPERTY											
Cigar Lake	—	—	—	—	—	—	—	—	—	—	UG
Crow Butte	—	—	—	1,184.0	0.26	6,849.0	1,184.0	0.26	6,849.0	6,849.0	ISL
Dawn Lake	—	—	—	347.0	1.69	12,940.0	347.0	1.69	12,940.0	7,436.0	OP&UG
Gas Hills	1,846.0	0.09	3,665.0	1,183.0	0.09	2,364.0	3,029.0	0.09	6,029.0	6,029.0	ISL
Highland	1,149.0	0.09	2,212.0	1,239.0	0.12	3,148.0	2,388.0	0.10	5,360.0	5,360.0	ISL
Inkai	—	—	—	3,600.0	0.04	2,900.0	3,600.0	0.04	2,900.0	1,740.0	ISL
McArthur River	43.5	10.28	9,854.0	543.3	9.43	112,902.0	586.8	9.49	122,756.0	85,690.0	UG
North Butte/ Brown Ranch	—	—	—	2,681.0	0.12	6,829.0	2,681.0	0.12	6,829.0	6,829.0	ISL
Northwest Unit	—	—	—	1,859.0	0.06	2,361.0	1,859.0	0.06	2,361.0	2,361.0	ISL
Peach	444.0	0.10	997.0	148.0	0.17	547.0	592.0	0.12	1,544.0	1,544.0	ISL
Rabbit Lake	—	—	—	310.0	0.58	3,958.0	310.0	0.58	3,958.0	3,958.0	UG
Reynolds Ranch	1,311.0	0.09	2,654.0	4,597.0	0.08	7,791.0	5,908.0	0.08	10,445.0	10,445.0	ISL
Ruby Ranch	483.0	0.08	862.0	389.0	0.07	581.0	872.0	0.08	1,443.0	1,443.0	ISL
Ruth	—	—	—	481.0	0.07	761.0	481.0	0.07	761.0	761.0	ISL
Shirley Basin	89.0	0.15	304.0	1,637.0	0.11	4,085.0	1,726.0	0.12	4,389.0	4,389.0	ISL
Smith Ranch	559.0	0.10	1,264.0	69.0	0.09	133.0	628.0	0.10	1,397.0	1,397.0	ISL
Total	5,924.5	0.17	21,812.0	20,267,300	0.38	168,149.0	26,191.8	0.33	189,961.0	146,231.0	

Notes:

(1) Canadian Securities Administrators' National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

Uranium Inferred Resources [1]

The following table shows the estimated uranium inferred resources as at December 31, 2003 on a property basis and Cameco's share. The amount of reported resources does not include amounts identified as reserves.

INFERRED RESOURCES
(100% basis)

	Tonnes	Grade% U3O8	Content (lbs U3O8)	Content Cameco's Share (lbs U3O8)	Mining Method(2)
PROPERTY					
Cigar Lake	317.0	16.92	118,151.0	59,105.0	UG
Crow Butte	1,824.0	0.20	8,042.0	8,042.0	ISL
Dawn Lake	—	—	—	—	OP&UG
Gas Hills	—	—	—	—	ISL
Highland	588.0	0.15	1,977.0	1,977.0	ISL
Inkai	253,918.0	0.05	267,989.0	160,793.0	ISL
McArthur River	—	—	—	—	UG
North Butte/Brown Ranch	686.0	0.09	1,367.0	1,367.0	ISL
Northwest Unit	997.0	0.05	1,093.0	1,093.0	ISL
Peach	—	—	—	—	ISL
Rabbit Lake	—	—	—	—	UG
Reynolds Ranch	5,575.0	0.06	7,442.0	7,442.0	ISL
Ruby Ranch	—	—	—	—	ISL
Ruth	—	—	—	—	ISL
Shirley Basin	490.0	0.10	1,132.0	1,132.0	ISL
Smith Ranch	2,358.0	0.08	4,295.0	4,295.0	ISL
Total:	266,753.0	0.07	411,488.0	245,246.0	

Notes:

(1) Canadian Securities Administrators' National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately.

(2) Mining Method: OP – Open Pit; UG – Underground; ISL – In situ leaching.

Uranium Reserve Reconciliation

The following reconciliation of Cameco's share of uranium reserves reflects the changes in reserves during 2003. The 2003 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, and reclassification.

Reconciliation of Cameco's Share of Uranium Reserves
(in thousands of pounds U3O8)

	December 31 2002	2003 Throughput (1)	2003 Addition (Deletion)		December 31, 2003
Reserves – Proven					
Cigar Lake	113,222	0			113,222
Crow Butte	5,345	(817)			4,528
Gas Hills	8,318	0	(1,957)	(2)	6,361
Highland	2,970	(266)	127	(2)	2,831
Inkai	0	0	19,969	(2)	16,969
Key Lake	590	0	—		590
McArthur River	310,331	(10,516)	(55,353)	(2)(3)	244,462
Peach	3,170	0	(746)	(2)	2,424
Rabbit Lake	17,580	(5,845)	755	(2)	12,490
Ruby Ranch	2,896	0	—		2,896
Smith Ranch	6,681	(949)	110	(2)	5,842
Total Proven Reserves	471,103	(18,393)	(40,095)		412,615
Reserves - Probable					
Cigar Lake	2,625	0	—		2,625
Crow Butte	1,771	0	227	(2)	1,998
Gas Hills	5,244	0	(1,234)	(2)	4,010
Highland	5,059	0	84	(2)	5,143
Inkai	0	0	37,930	(2)	37,930
McArthur River	8,442	0	51,780	(2)(3)	60,222
North Butte/Brown Ranch	9,659	0	(2,207)	(2)	7,452
Peach	3,792	0	(1,732)	(2)	2,060
Ruby Ranch	1,424	0	—		1,424
Ruth	0	0	1,249	(2)	1,249
Smith Ranch	13,711	0	(110)	(2)	13,601
Total Probable Reserves	51,727	0	85,987		137,714
Total Reserves	522,830	(18,393)	45,892		550,329

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2003 millfeed and Cameco's share of 2003 pounds U3O8 produced is due to mill recovery, mill inventory and the processing of low grade material.

(2) Changes in reserves or resources, as applicable, include reassessment of geological data, results of information provided by mining and milling, and subsequent re-classification of reserves or resources, as applicable.

(3) In January 2003 Cameco initiated a formal review of the mining plan and proposed mining methods and a review of the reserves classification at McArthur River as a result of uncertainty associated with the productivity of the jetboring and boxhole boring mining methods at McArthur River and not as a result of the water inflow event. The jetboring and boxhole boring mining methods may be utilized for parts of the ore body where the raise boring method may be inappropriate. The completion of the review reflecting this uncertainty resulted in the reclassification of 51.8 million lbs U3O8 of proven reserves to probable reserves at McArthur River.

Uranium Resources Reconciliation

The following reconciliation of Cameco's share of uranium resources reflects the changes in resources during 2003. The 2003 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, and reclassification.

Reconciliation of Cameco's Share of Uranium Resources
(in thousands of pounds U3O8)

	December 31 2002	2003 Throughput (1)	2003 Addition (Deletion)		December 31, 2003
Resources – Measured					
Gas Hills	3,665	0	—		3,665
Highland	2,212	0	—		2,212
Inkai	8,245	0	(8,245)	(2)	0
McArthur River	1,114	0	5,765	(2)	6,879
Peach	997	0	—		997
Reynolds Ranch	2,654	0	—		2,654
Ruby Ranch	862	0	—		862
Shirley Basin	304	0	—		304
Smith Ranch	1,264	0	—		1,264
Total Measured Resources	21,317	0	(2,480)		18,837
Resources – Indicated					
Crow Butte	8,550	0	(1,651)	(2)	6,849
Dawn Lake	7,436	0	—		7,436
Gas Hills	2,364	0	—		2,364
Highland	2,972	0	176	(2)	3,148
Inkai	48,866	0	(47,126)	(2)	1,740
McArthur River	76,691	0	2,120	(2)	78,811
North Butte/Brown	5,611	0	1,218	(2)	6,829
Northwest Unit	2,361	0	—		2,361
Peach	1,623	0	(1,076)	(2)	547
Rabbit Lake	1,998	0	1,960	(2)	3,958
Reynolds Ranch	7,791	0	—		7,791
Ruby Ranch	581	0	—		581
Ruth	2,065	0	(1,304)	(2)	761
Shirley Basin	4,085	0	—		4,085
Smith Ranch	133	0	—		133
Total Indicated Resources	173,077	0	(45,683)		127,394
Total Measured & Indicated	194,394	0	(48,163)		146,231
Resources – Inferred					
Cigar Lake	59,105	0	—		59,105
Crow Butte	7,333	0	709	(2)	8,042
Highland	1,977	0	—		1,977
Inkai	170,520	0	(9,727)	(2)	160,793
North Butte/Brown Ranch	1,367	0	—		1,367
Northwest Unit	1,093	0	—		1,093
Reynolds Ranch	7,442	0	—		7,442
Shirley Basin	1,132	0	—		1,132
Smith Ranch	4,295	0	—		4,295
Total Inferred Resources	254,264	0	(9,018)		245,246

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2003 millfeed and Cameco's share of 2003 lbs U3O8 produced is due to mill recovery, mill inventory and the processing of low grade material.

(2) Changes in reserves or resources, as applicable, include reassessment of geological data, results of information provided by mining and milling, and subsequent re-classification of reserves or resources, as applicable.

Uranium Fuel Conversion Services

Market Background

Demand

The demand for UF6 conversion services is directly linked to the level of electricity generated by light water moderated nuclear power plants. The demand for UO2 conversion services is linked to the level of electricity generated by heavy water moderated nuclear power plants such as CANDU reactors. Western world demand for UF6 and natural UO2 conversion services in 2003 was estimated to be approximately 58,200 tonnes of uranium. It is estimated that this demand will increase to approximately 65,700 tonnes of uranium by 2013. Demand in the former Soviet Union, Eastern Europe and China in 2003 was about 9,400 tonnes of uranium and is expected to increase to about 12,400 tonnes of uranium by 2013.

Most utility companies operating nuclear reactors purchase their uranium requirements in the form of concentrates directly from mining and milling operators. The uranium contained in the concentrates is refined and converted to fuel grade natural UO2, or to UF6 for enrichment. The enriched UF6 is then converted to enriched UO2. The natural UO2 and enriched UO2 is fabricated into fuel bundles for eventual use in nuclear reactors.

Supply

The western world UF6 conversion industry consists of Cameco and three other commercial producers with an annual conversion capacity of about 45,000 tonnes of uranium. Cameco's annual UF6 conversion capacity constitutes approximately 28% of the western world capacity. Cameco is the only commercial supplier of conversion for natural UO2 customers in the western world. Russia supplies most of the requirements of the former Soviet Union and Eastern Europe in the form of low enriched uranium.

On February 9, 2001, British Nuclear Fuels Limited ("BNFL"), with annual conversion capacity of about 6,000 tonnes, announced that it will halt production of UF6 in 2006. With the announcement, BNFL ceased the marketing of UF6 conversion services and sold its uncommitted UF6 production to Cameco.

In addition, supplies of UF6 are available from secondary sources including excess western inventories, Russian inventory sales in the form of low enriched uranium, Russian re-enriched depleted tails in the form of UF6 and Russian and US uranium derived from dismantling nuclear weapons. These sources are discussed in more detail in the "Uranium Concentrates Business" section.

Prices

Cameco competes on the basis of price, location and service with two other full-scale commercial suppliers of conversion services in the western world and with the secondary supplies mentioned above.

Similar to their procurement of uranium requirements, utilities secure a substantial percentage of their conversion service requirement by entering into medium and long-term contracts with primary conversion service providers. Prices are established by a number of methods, including base prices adjusted by inflation indices, reference prices (generally spot price indicators) and annual price negotiations. Contracts can also contain floor prices, ceiling prices and other negotiated provisions which affect the price ultimately paid. For UF6 conversion deliveries by Cameco in 2003, the following pricing mechanisms applied: negotiated (5%), firm-price (66%) and market–related (29%).

Marketing of Conversion Services

UF6

Cameco's marketing strategy for UF6 conversion services is similar to that for uranium concentrates.

Cameco sells its services directly to utilities located in many different geographic regions of the world primarily through medium- and long-term contracts.

For the period 2004 forward, Cameco has UF6 conversion services commitments in excess of 50,000 tonnes uranium under 63 long-term contracts. Cameco's five largest customers account for approximately 39% of these commitments. Over this period, 36% of Cameco's committed UF6 conversion services volume is to purchasers in the Americas, 32% in the Far East and 32% in Europe.

UO2

Cameco is the only commercial supplier of ceramic grade UO2 for CANDU heavy water moderated nuclear reactors operated in Canada by Bruce Power, OPG, New Brunswick Power Corporation and Hydro Quebec. Cameco also exports UO2 to South Korea for its CANDU reactors and to Japan for use as blanket fuel in boiling water reactors.

Volumes of Canadian UO2 sales may increase slightly later in the decade if three shut-in reactors operated by OPG are put back into service.

Operations

Cameco owns and operates Canada's only uranium refinery and conversion facilities. Cameco has a uranium refining facility within close proximity to Lake Huron and approximately eight kilometres west of Blind River, Ontario (approximately 600 kilometres northwest of Toronto, Ontario). Blind River, has a population of about 4,000. Cameco also has two conversion plants within the Municipality of Port Hope, Ontario, approximately 100 kilometres east of Toronto. The Municipality of Port Hope, with a population of about 15,000, is located on the shore of Lake Ontario.

The Blind River facility, commissioned in 1983, has an annual licensed capacity of 18,000 tonnes of uranium. It includes a uranium refinery, a large storage area for uranium concentrates, and weighing and sampling facilities. The Blind River facility refines the concentrates delivered by suppliers from throughout the world into nuclear grade UO3, nearly all of which is shipped to Port Hope for conversion into either UF6 or UO2. A small quantity of UO3 is supplied to others for blending with enriched uranium to produce suitable reactor fuel.

The Port Hope conversion plants produce natural UO2 and natural UF6. The UO2 plant is licensed for 2,800 tonnes of uranium per year and produces ceramic UO2 used as fuel in Canadian and other CANDU heavy water nuclear reactors, as well as blanket fuel for light water nuclear reactors. The UF6 plant, licensed for 12,500 tonnes of uranium per year, converts UO3 to UF6 using hydrogen, hydrogen fluoride and fluorine in a series of process steps. The UF6 is then shipped to enrichment plants in the United States, Europe and Japan for further processing to low enriched UF6 prior to conversion to enriched UO2, which is used as reactor fuel for light water nuclear reactors.

In January 2003, Cameco applied to the CNSC for regulatory approval to begin the commercial production at Port Hope of slightly enriched uranium dioxide powder ("SEU"), the primary uranium component of a new type of fuel that is proposed for use in some CANDU reactors. Initially the SEU will be produced for use in the Bruce "B" units as part of a power uprate project which is expected to add about 400 megawatts to the capacity of the units. (See "Bruce Power – The Generating Facilities.") SEU is also expected to be the basis of the fuel used by the next (advanced) generation of CANDU reactors (ACR reactor) designed by Atomic Energy of Canada Ltd. Cameco's Port Hope facility processed enriched uranium between 1966 and 1987. This activity was discontinued when there was no longer a commercial demand for the enriched products provided by the Port Hope facility.

CNSC approval would allow installation and operation at Port Hope of equipment for blending natural UO2 powder and low-enriched UO2 powder to produce SEU. The low-enriched UO2 powder would be acquired from any of the several suppliers around the world. This approval would not lead to an increase in the total volume of UO2 produced, as the SEU would essentially replace some of the natural UO2 currently produced.

In January 2004, the CNSC approved the Environmental Assessment Guidelines (Scope of Project and Assessment) that will be used to direct a screening environmental assessment ("SEA") of the SEU project at Port Hope. This screening report will include results of technical studies and public consultations to be completed by Cameco, and will be presented to the CNSC at a public hearing expected in 2004.

In 2004, important project milestones include completing and submitting the SEA, completing the engineering design and preparing the Port Hope site for the construction of the SEU blending facility. The necessary regulatory approval to allow the production of about 550 kg. of SEU powder for the manufacturing of about 26 demonstration fuel bundles that are to be placed in the Bruce "B" reactors some time in 2004 has been obtained for the Port Hope facility. Also, all the necessary facilities and procedures to make this limited quantity of SEU are in place.

Commercial production of SEU will use sufficient volume of low enriched UO2 powder such that criticality could potentially be achieved. Due to extensive safeguards that will be put in place, which will be subject to regulatory approval, to prevent this from happening, it is extremely unlikely that a criticality will occur. Criticality is a nuclear fission reaction. The products of criticality are heat and radiation. If a criticality did occur at Port Hope, it is

expected there would be little or no impact on the health and safety of the public as the SEU production area will be designed and engineered to contain the incident. Low enriched fuel is used to power more than 400 nuclear reactors around the world.

Cameco's refining and conversion facilities are subject to decommissioning liabilities. In accordance with regulatory requirements, Cameco has provided $48.4 million in letters of credit as security for decommissioning these facilities.

Research and Development

The activities of all operations are supported by Cameco's technology development group which is actively engaged in supporting new business initiatives as well as developing new processes to maintain and enhance Cameco's position as a competitive and leading producer of uranium concentrates, refining and conversion services. For 2003, expenditures related to these activities were approximately $1.7 million.

Environmental

For environmental protection, the Blind River refinery operates a monitoring lagoon system for liquid effluents in order to ensure adherence to regulatory standards. Gaseous emissions are filtered, scrubbed and monitored for uranium particulate and certain other deleterious substances. Cooling water is used in a closed loop system with very limited discharge to the environment. Extensive chemical recovery steps are also used to reduce environmental release. In Port Hope, provisions for environmental protection include scrubbing and filtration systems for gaseous emissions and evaporator systems for liquid process effluents. Resulting condensates released to the environment are monitored to ensure compliance with regulatory standards. Extensive chemical recovery steps are also used to reduce environmental release and reduce waste accumulation.

In 1998, Cameco reached an agreement with International Uranium Corporation of Denver, Colorado for the processing of certain uranium-bearing by-products from Blind River and Port Hope at the White Mesa mill in Blanding, Utah. The agreement received regulatory approval in both Canada and US. Shipments to Utah for recycling of all of the by-product inventory was completed in 2000, including by-products accumulated by a predecessor company prior to 1988 that was stored at Blind River and Port Hope. Shipments of newly produced by-products has continued. While this program has addressed the accumulated inventory of by-products and is addressing current recycling requirements for these by-products, other outlets are being considered. In 2001, a mill scale pilot test program of recycling these by-products at Cameco's Key Lake mill was completed. This test was conducted to develop the information that would be necessary to support an application for regulatory approval to recycle by-products at the Key Lake mill. In 2002, Cameco submitted a proposal to federal and provincial regulatory authorities for approval to recycle these by-products at the Key Lake mill. Provincial regulatory approval was received on February 21, 2003. Federal regulatory approval is still pending, but currently anticipated in 2004.

Both Blind River and Port Hope facilities were re-licensed by the CNSC for a five-year period commencing on February 28, 2002.

Legal Proceedings

A complaint was filed in federal court in Denver, Colorado, USA on November 28, 2000 by Mr. Oren Benton claiming damages in excess of $200 million from the Company with respect to his claims of breach of contract and tortious interference with contractual relations and business expectations. Cameco's motion to dismiss Mr. Benton's claims was granted and Mr. Benton's claims were dismissed in 2002. Mr. Benton has appealed this decision. The appeal was heard on November 20, 2003 and judgement was reserved. Cameco believes, after consultation with legal counsel, this action is completely without merit.

Environmental Matters

Cameco's operations are subject to numerous laws and regulations regarding environmental matters and the management of hazardous wastes and materials. Changes in environmental laws and regulations or more stringent application of existing standards could cause additional expense, capital expenditures, restrictions or delays in the exploration, development, operation or decommissioning of the Company's properties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be $234 million. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of

approximately $199 million in the form of letters of credit to satisfy current regulatory requirements. See Note 7 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2003.

Cameco Initiatives

Cameco's environmental and safety efforts are both corporate and site-based. Corporate and site-based environmental and safety departments have been created to manage and coordinate the Company's environmental assessment and regulatory compliance and reporting functions. Cameco conducts regular environmental and safety audits of its sites. Annual expenditures of over $16 million have been dedicated to environmental monitoring, protection, assessment and health and safety programs.

Like other large industrial organizations, Cameco utilizes chemicals in its operations that could be hazardous to health and the environment if handled incorrectly. Employees are trained in the proper use of hazardous substances and in emergency response techniques.

Cameco has had a formal environmental and safety policy in place since 1991. In 1999, Cameco revised this environmental policy in support of an initiative to generate a new environmental management system at its operating sites. This system reinforces the Company's commitment to ongoing management of environmental risks and is structured to be compatible with the requirements of the relevant international standard, referred to as ISO 14001. In 2000, the Port Hope operation became the first Cameco managed site to become certified under the new standard. In 2002, the Blind River, Key Lake and McArthur River operations were also ISO 14001 certified.

In May 2001, Cameco received a request from the CNSC to develop a corporate quality assurance program in support of re-licensing its Canadian operations. Cameco elected to embark on developing a broader quality management system. This system is to include operational activities at its Canadian operating licensed sites as well as corporate oversight and audit responsibilities for these sites. A plan and implementation schedule for this new management system was filed with the CNSC and accepted in early 2002. A draft corporate quality management system manual, covering Canadian uranium operations, has been filed with the CNSC, in accordance with the accepted implementation schedule. This schedule calls for site implementation to be completed in 2004.

The Company has an environmental and safety committee of the board of directors, which regularly reviews environmental and safety aspects of the Company's operations. To promote better communication with communities in northern Saskatchewan on environmental and other matters, the Company organized the Northern Community Liaison Committee in 1990 and the Athabasca Working Group in 1993 (with CLMC and Cogema). The Company also co-operates with the northern community environmental quality committees organized more recently by the province of Saskatchewan. Cameco also conducts regular environment-focused community liaison activities at its fuel services sites in Ontario.

Canada

Environmental matters related to Cameco's operations in Canada are the subject of ongoing public scrutiny and regulatory review by the CNSC, Environment Canada, the federal Department of Fisheries and Oceans, SE and the Ontario Ministry of the Environment ("MOE").

Decommissioning and Reclamation

Once reserves of a particular deposit in Canada have been exhausted or after processing activities have been permanently suspended, Cameco and its partners are required by law to decommission operating sites, including waste rock and tailings management facilities, and reclaim those areas affected by their activities, to the satisfaction of provincial and federal regulatory authorities. Cameco annually accrues amounts for future reclamation costs based on the estimated life of the facility, units of production and estimates of future decommissioning and reclamation costs. Cameco's estimation of these future costs is based upon the application of reclamation techniques which are believed to be capable of generating reasonable environmental and radiological performance. The annual accrual and total provision is regularly reviewed by the Company, as well as for license renewal applications as required by regulatory agencies. If required, the future accrual rate is then adjusted. The regulatory agencies accept the decommissioning plans in concept, not upon detailed performance forecasts, which have not yet been generated. As Cameco properties approach or go into decommissioning, further regulatory review of the decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. As of December 31, 2003, Cameco had accrued a total accounting provision of

approximately $141 million related to nuclear activities. See Note 7 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2003.

Both the CNSC and SE have regulations requiring financial assurances for decommissioning and reclamation of minesites. Financial assurances in the form of letters of credit were first supplied for Rabbit Lake and McArthur River in 1996 and for Key Lake in 1997. Letters of credit for the Port Hope and Blind River facilities were supplied in early 2002 for the first time, in conjunction with general CNSC site relicensing.

Pursuant to the Reorganization of SMDC and ENL (now Canada Eldor Inc.), Cameco assumed the ownership and primary responsibility for the management of wastes existing at the time of the Reorganization ("Historical Waste") at the Port Hope Conversion Facility, the Blind River Refinery, the Port Granby Waste Site and the Welcome Waste Site ("Historical Facilities"), all located in Ontario. The Company assumed liability for the first $2 million of all costs in respect of any claim arising out of or related to the Historical Waste and all decommissioning and reclamation costs at the Historical Facilities and 23/98ths of the next $98 million of such costs. Canada Eldor Inc. retained liability for the balance of the costs up to $100 million and for all the costs in excess of $100 million, effectively capping Cameco's liability at $25 million.

On October 6, 2000, the government of Canada and certain Port Hope area communities announced the signing of a "Principles of Understanding", establishing the framework for development of a legal agreement for the clean up, storage and long-term management of certain of the Historical Wastes. On June 19, 2001, the government of Canada announced that the legal agreement had been signed and that it would invest about $260 million over 10 years to carry out the work. In July 2002, the government of Canada released the scope document for the environmental assessment of the project to manage low level radioactive waste for the long term in the Port Hope area. The project remains in the environmental assessment process.

Regulatory Compliance

Potentially significant regulatory issues relate to the establishment of new criteria for levels of uranium in ambient air in the vicinity of the Company's Ontario operations and new criteria for heavy metals in effluent from Cameco's Saskatchewan mine and mill sites, establishment of new enhanced environmental monitoring programs in the vicinity of all Canadian operations and decisions arising from the current evaluation of radionuclide releases (including uranium) from nuclear facilities being carried out under the Canadian Environmental Protection Act. Changes to these regulations may require additional response by Cameco in the near term in order to remain in compliance with the relevant regulations and regulatory guidelines.

These new regulatory initiatives and future initiatives have and likely will continue to generate additional environmental studies in the vicinity of these operations. This is particularly evident in the area of pre-licensing environmental assessment. It is unclear if these additional studies will ultimately translate into further regulatory requirements on the Company.

Cameco continues to face challenges from the burden of increasing regulatory demands and costs from the CNSC, Canadian Environmental Assessment Agency and other federal and provincial regulators. In addition to the issues noted above, the lead regulator, the CNSC, has increased its fees charged to the nuclear industry. The CNSC is increasing the regulatory burden as a result of the implementation of the new Nuclear Safety and Control Act ("NSCA") and in its interpretation of responsibilities under the NSCA, the Canadian Environmental Assessment Act and the Canadian Environmental Protection Act. For instance, Cameco has been directed to implement a formal quality assurance program to manage its Canadian nuclear operations and the scope of assessment needed for regulatory approval of changes to licence conditions has expanded. Lower tier operational changes are increasingly subject to regulatory review which may include delays due to longer regulatory approval processes. These increasing requirements are expected to result in gradually increasing administration costs and some additional capital expenditures for compliance. As well, the complex regulatory approval process reduces Cameco's flexibility to make operational changes in a timely fashion.

In recent years, when auditing Cameco, the CNSC has put a priority on auditing specific environmental and safety related programs. These have included such aspects as radiation protection programs, environmental monitoring, fire protection, operational quality assurance, organization and management evaluation, transportation systems, geotechnical monitoring and ventilation systems. These program-specific audits and regular site inspections by regulatory project officers have generated, and are intended to continue to generate, actions to improve environmental and safety performance and ensure that these risks remain well managed. Resulting program modifications are typically procedural and do not incur large capital costs.

In 2001, Cameco successfully renewed its CNSC operating licences for Rabbit Lake, Key Lake and McArthur River for two-year terms. Cameco also received a licence to become the operator of the Cigar Lake project. In 2002, the Port Hope and Blind River CNSC operating licenses were renewed for five-year terms, and in 2003, the Rabbit Lake licence was renewed for five years**.** In 2004, Cameco will seek re-licensing of the Key Lake and McArthur River operations, as well as a construction license for the Cigar Lake project. Cameco is also seeking approval to increase the production rate at the McArthur River/Key Lake operation.

US Environmental Regulation

Cameco subsidiaries' ISL operations in the US are subject to numerous federal, state and local regulations governing, among other things, air emissions, water discharges, hazardous materials handling and disposal and site reclamation. In 2000, at the Highland operation, PRI self reported to the Wyoming Department of Environmental Quality ("WDEQ") injection well casing leaks, resulting in releases into unauthorized zones. As a result of PRI's report, the Wyoming agency issued a notice of violation ("NOV"). PRI took the position that there was minimal environmental impact, given the quality of the released water and the geotechnical characteristics of the release zones. Nevertheless, the issue required additional investigation as a potential future decommissioning issue, and necessitated procedural and physical modifications in well construction to better assure injection well integrity. The well casing leaks are not expected to materially increase site decommissioning costs. There was no fine associated with the NOV, largely because of the self-reporting of the issue and its low potential for environmental impact. Arising from the NOV was an Administrative Order on Consent, which specified a compliance schedule and a revision of the regulatory permit to address the casing leak issue. The Order on Consent essentially forms a contract for resolving the issues arising out of the NOV. Changes in well construction have reduced the frequency of well casing leaks. The changes have been implemented at PRI's combined Smith Ranch Highland operation.

After mining has been completed, an ISL wellfield must be restored in accordance with regulatory requirements. Generally this involves restoring the groundwater to its pre-mining use using reverse osmosis (ultra filtration technology) and restoration. Restoration of Crow Butte wellfields is regulated by the Nebraska Department of Environmental Quality ("NDEQ") and the Nuclear Regulatory Commission ("NRC") and restoration of Smith Ranch-Highland wellfields is regulated by the WDEQ and NRC.

Crow Butte has three wellfields under restoration. In 2000 Crow Butte Resources Inc., after the NDEQ confirmed that wellfield 1 was restored to its regulatory standards, requested the NRC accept that wellfield 1 was restored to its regulatory standards. The NRC approved the restoration on February 12, 2003.

Smith Ranch-Highland has three wellfields under restoration. In 1999 PRI requested the WDEQ accept that one wellfield was restored to its regulatory standards. The WDEQ approved the restoration of the A wellfield, subject to some long term monitoring requirements in November 2003. The NRC has indicated that it is willing to enter into discussions with the WDEQ and the United States Environmental Protection Agency over wellfield jurisdiction. Discussions continue with regulators to establish clear jurisdiction and criteria for wellfield restoration. Despite encouraging signs to the contrary, the delays by regulators to accept restoration of the remaining wellfields is a significant issue for Cameco subsidiaries' US ISL operations, since it remains uncertain when, and at what cost, its US subsidiaries' ISL operations will be able to complete restoration of mined out ISL wellfields to the satisfaction of regulators.

Government Regulation

Cameco's business is subject to various levels of extensive governmental controls and regulations which are amended from time to time. The Company is unable to predict what additional legislation or amendments may be proposed that might affect its business or when any proposals, if enacted, might become effective.

Outlined below are some of the more significant government controls and regulations which materially affect the Company's uranium business.

Canadian Uranium Industry Regulation

The Canadian federal government has recognized that the uranium industry has special importance in relation to the national interest and therefore regulates the industry through regulations and policy announcements. The regulations and policy announcements apply to any uranium property or plant in Canada which the CNSC may determine to be, or to have the capability of, producing or processing uranium for nuclear fuel application. The regulations require that the property or plant be owned legally and beneficially by a company incorporated in Canada.

Mine Ownership Restriction

The latest expression of Canadian government policy on non-resident ownership of uranium mining properties is contained in a letter dated December 23, 1987 from the Minister of State (Forestry and Mines) to the Canadian uranium industry. The basic limit for non-resident ownership of uranium properties at the stage of first production is 49%. Resident ownership levels of less than 51% will be permitted if the property is in fact Canadian-controlled. Exceptions to the policy may be granted subject to Cabinet approval and will be provided only in cases where it is demonstrated that Canadian partners cannot be found.

Cameco Ownership Restriction

As part of the Canadian government regulation of the Canadian uranium mining industry, the ENL Reorganization Act imposes constraints on the issue, transfer and ownership, including joint ownership, of Cameco shares so as to prevent both residents and non-residents of Canada from owning or controlling more than a specified percentage of shares. The following is a summary of the constraints currently contained in Cameco's articles:

(a) No resident alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only, shares to which are attached more than 25% of the votes that may ordinarily be cast to elect directors of Cameco.

(b) No non-resident of Canada, alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only, shares to which are attached more than 15% of the votes that may ordinarily be cast to elect directors of Cameco.

(c) The votes attaching to shares held, beneficially owned or controlled, directly or indirectly by all non-residents together, and cast at any meeting of shareholders, will be counted or prorated so as to limit the counting of those votes to not more than 25% of the total number of votes cast by shareholders at that meeting.

(d) To give effect to such constraints, Cameco's articles contain provisions for the enforcement of the restrictions relating to ownership and voting by residents of Canada and non-residents of Canada described above, including provisions for suspension of voting rights, forfeiture of dividends, prohibitions against the issue and transfer of shares and suspension of all remaining shareholders' rights.

The provisions of the ENL Reorganization Act allow the board to require the holders or other subscribers for shares and certain other persons to furnish declarations as to residence, ownership of shares and certain other matters relative to the enforcement of the restrictions. Cameco is precluded from issuing or registering a transfer of any shares where contravention of the resident or non-resident ownership restrictions would result. Cameco requires that, prior to each transfer of shares, other than a transfer to a depository, the transferee give a declaration providing information relating to compliance with these ownership restrictions.

Cameco's board is entitled to determine whether contraventions of the ENL Reorganization Act or the articles have occurred. Cameco's board may make such determination whether or not it, or Cameco's transfer agent and registrar, has received such declarations, if the board has reason to believe that contravention of the ownership restrictions has occurred.

If Cameco's board determines that shares are held by a shareholder in contravention of the ownership restrictions, Cameco has the power to suspend all rights of the shareholder in respect of all shares held, other than the right to transfer them, not earlier than 30 days after first sending notice to the shareholder, unless the shares so held have been disposed of by the shareholder and Cameco has been so advised.

Canadian Nuclear Safety and Control Act

In Canada, control of the mining, extraction, use and export of uranium was formerly governed by the *Atomic Energy Control Act* (the "AECA"), a federal statute. The AECA was administered by the AECB. On March 20, 1997, the *Nuclear Safety and Control Act* (the "NSCA") received royal assent. In the following years, related regulations and key regulatory guidelines were prepared and finalized. On May 31, 2000, the new act and regulations came into force replacing the AECA. The NSCA expands the jurisdiction of the CNSC, which has replaced the AECB, notably expanding its role in environmental regulation.

The NSCA authorizes the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion and transportation. The most significant powers given to the CNSC are in the licensing area. The NSCA grants the CNSC licensing authority for all nuclear activities in Canada, including the issuance of new licences to new operators, the renewal of existing licences, and amendments to existing licences. A person may only possess or dispose of nuclear substances and construct, operate and decommission its nuclear facilities in accordance with the terms of a CNSC licence. The licence specifies conditions that licensees must satisfy in order to maintain the right to operate nuclear facilities.

A fundamental principle in nuclear regulation is that the licensee bears the responsibility for safety, with the CNSC setting safety objectives and auditing licensee's performance against the objectives. The regulations made under NSCA include provisions dealing with facilities licence requirements, radiation protection, physical security for all nuclear facilities and the transport of radioactive materials. The CNSC has also issued guidance documents to assist licensees in complying with regulatory requirements such as decommissioning, emergency planning, and optimization of radiation protection measures.

The NSCA is the product of a recent update of regulatory requirements by the Federal government in relation to the effective regulation of nuclear energy in Canada. The NSCA grants to the CNSC the power to act as a court of record, the right to require financial guarantees for nuclear waste management and decommissioning as a condition of granting a licence, order-making powers which are more flexible than those allowed under the predecessor legislation, the AECA, and the right to impose higher monetary penalties than was allowed under such predecessor legislation. The NSCA also grants the CNSC power to require nuclear power plant operator re-certification and to set requirements for nuclear facility security measures. The NSCA also provides for increased emphasis on environmental matters, including a requirement that licensing applicants make adequate provision for the protection of the environment. Additional regulatory priority is evident in the areas of quality assurance and human factor engineering and assessment.

All of the Canadian operations of the Company are governed primarily by licences granted by the CNSC and are subject to all applicable federal statutes and regulations and to all laws of general application in the province where the operation is located, except to the extent that such laws conflict with the terms and conditions of the licence or applicable federal laws. Failure to comply with licence conditions or applicable statutes and regulations may result in orders being issued which may cause operations to cease or be curtailed or may require installation of additional equipment, other remedial action or the incurring of additional capital or other expenditures to remain compliant. The Company may also be subject to prosecution if it fails to comply with such applicable statutes and regulations. Environmental regulation of the uranium mining industry in Saskatchewan and the uranium processing industry in Ontario are also regulated under both provincial and other federal legislation. Progress continued to be made to better harmonize provincial and federal regulatory regimes in Saskatchewan. In February 2003, the federal and provincial governments signed an agreement that is expected to lead to greater administrative efficiency in regulation of the Saskatchewan uranium industry over the next few years.

In 2003, the CNSC implemented new cost recovery regulations. A fee for service arrangement is now in force, based on a fully absorbed rate of $200 per hour. This change is expected to significantly increase licencing costs. Based on current estimates for the CNSC's 2004/05 fiscal year, an increase of about 66% or $ 1.1M is anticipated relative to the last year of fixed fees (FY 2002/3) for the operating Canadian uranium sites (Key Lake, McArthur River, Rabbit Lake, Port Hope and Blind River).

New projects must follow the NSCA procedures. Certain properties are deemed to have complied by transition rules from AECA to NSCA. In September 2002, a court held that Cogema's McClean uranium mill in Saskatchewan was not properly licensed under these transition rules. The decision is being appealed. Due to this decision, the licensing process that Cameco is subject to may be longer and more complex.

Uranium Export Regulation

The export of uranium is regulated by the Canadian federal government which establishes nuclear energy policy. Cameco's uranium exports are required to have export licences and export permits granted by the CNSC and the Department of Foreign Affairs and International Trade, respectively, and such licences and permits are obtained by Cameco for all such exports.

US Uranium Industry Regulation

Uranium recovery in the US is primarily regulated by the NRC pursuant to the *Atomic Energy Act of 1954*, as amended. Its primary function is to ensure the protection of employees, the public and the environment from radioactive materials and it also regulates most aspects of the uranium recovery process. The NRC regulations pertaining to uranium recovery facilities are codified in Title 10 of the Code of Federal Regulations ("10 CFR"). The NRC issues Domestic Source Material Licenses pursuant to 10 CFR Part 40.

The review of a license application is governed by the *National Environmental Policy Act* ("NEPA") which is implemented through 10 CFR Part 51. Although the NRC voted to support new regulations for uranium recovery operations, which would apply to the Company's US ISL operations, in 2002 the NRC withdrew their support for these regulations.

The NRC has approved an alternative process whereby a state government can regulate groundwater issues through a memorandum of understanding entered into with the NRC. When implemented, this will apply to all groundwater issues, including restoration, and eliminating one area of regulatory duplication pertaining to ISL well fields. The US Environmental Protection Agency ("EPA") and certain states have formally indicated that they too are in favour of the proposed process. The NRC is expected to decide later in 2004 whether to proceed with this change in the regulatory process.

The uranium recovery industry in Wyoming is also regulated by the WDEQ, Land Quality Division ("LQD") pursuant to the Wyoming Environmental Quality Act ("WEQA") and the LQD Non-Coal Rules and Regulations arising from the WEQA. Pursuant to WEQA, the WDEQ issues a permit to mine which is administered by the LQD. In addition, the state administers a number of EPA programs under the Clean Air Act and the Clean Water Act, some of which are incorporated into the LQD Non-Coal Rules and Regulations (for example the Underground Injection Control regulations under the Clean Water Act). Currently wellfield decommissioning is required to the background water standard in Wyoming. In November 2003, the Wyoming Environmental Quality Council approved the wellfield groundwater restoration for Highland wellfield A subject to some long-term monitoring conditions.

Similarly, the uranium recovery industry in Nebraska is regulated by the NRC and the NDEQ pursuant to the Nebraska Environmental Protection Act. Pursuant to this act and the regulations made thereunder, the NDEQ issues a permit to mine. In Nebraska wellfield groundwater restoration is required to the class of use water standard. The NDEQ and NRC have approved the restoration of wellfield 1 at Crow Butte.

In all cases, failure to comply with NRC license and/or state permit-to-mine conditions, or a failure to comply with other applicable rules and regulations, can bring enforcement action. For the state, this starts with non-cited violations for minor, easily correctable violations (generally through "conference and conciliation"), through notices of violation ("NOV's") which can include: fines; supplemental environmental projects; remedial action, additional monitoring and permit changes; and, ultimately, could include orders to cease operations. NRC enforcement policy describes a progression of enforcement starting with an NOV and working through a pre-enforcement conference, fines, imprisonment and the barring of workers or contractors from working in the nuclear industry. Under state and federal law, criminal charges are possible if violations are deemed to be the result of criminal intent or action.

Following a determination by the federal Mine Safety and Health Administration ("MSHA") that it had no jurisdiction over the Smith Ranch-Highland operation, safety at the operation is regulated by the Wyoming State Mine Inspector's Office. In January 2003, MSHA advised that it would no longer regulate Crow Butte's operations. Unless this decision is changed, safety at Crow Butte will be regulated under Nebraska's Occupational Health and Safety Act.

Other agencies are involved in the regulation of the uranium recovery industry, either directly or indirectly, including the EPA, the Department of Transportation, the Bureau of Land Management, Department of Energy, the Department of Defense, the Army Corps of Engineers, and the US Fish and Wildlife Service.

The export of uranium from the US and the movement of nuclear materials within the US are also regulated by the NRC. "NRC 741 form" reporting is the primary mechanism for tracking physical movements of US or any other origin uranium to foreign and domestic buyers. US government export policies are established and enforced through bilateral agreements for nuclear co-operation and trade with specific countries (or political blocs such as the EU), with the general goal of supporting the peaceful uses of nuclear energy while upholding specific US foreign policy

and non-proliferation objectives. While specific sales contracts are not reviewed or approved, export licenses for shipment of uranium outside the US are granted by the NRC.

Land Tenure

Saskatchewan Operations

Most of the Company's uranium reserves and resources are located in Saskatchewan. The right to mine minerals is acquired by the Company as a lessee under a mineral lease from the province of Saskatchewan (a "Crown Lease"). A Crown Lease is for a term of 10 years, with a right to renew for successive 10 year terms in the absence of default by the lessee. The lessee is required to expend certain amounts for work during each year of a Crown Lease. A Crown Lease cannot be terminated except in the event of default and for certain environmental concerns as prescribed in *The Crown Minerals Act* (Saskatchewan). However, Crown Leases may be amended unilaterally by the lessor by an amendment to *The Crown Minerals Act* (Saskatchewan) or *The Mineral Disposition Regulations, 1986* (Saskatchewan).

The right to explore for minerals is acquired by the Company in Saskatchewan under a mineral claim from the province of Saskatchewan (a "Mineral Claim"). The term of a Mineral Claim is two years, with the right to renew for successive one year periods. To maintain a Mineral Claim in good standing, generally, the holder of a Mineral Claim must expend a prescribed amount on exploration. Excess expenditures can be applied to satisfy expenditure requirements for future claim years. Except for exploration purposes, a Mineral Claim does not grant the holder the right to mine minerals. A holder of a Mineral Claim in good standing has the right to convert a Mineral Claim into a Mineral Lease. Surface exploration work of a Mineral Claim requires additional governmental approvals.

The surface facilities and mine shafts are located on lands owned by the province of Saskatchewan. The right to use and occupy the lands is acquired under a surface lease (a "Surface Lease") from the province of Saskatchewan. A Surface Lease is for a period of time, up to a maximum of 33 years, as is necessary to allow the lessee to operate its mine and plant and thereafter to carry out the reclamation of the lands involved. Surface Leases are also used by the province of Saskatchewan as a mechanism to achieve certain environmental protection, radiation protection and socioeconomic objectives and as a result contain certain undertakings in this regard.

The Company's uranium mining and exploration properties in Saskatchewan are located on traditional lands of first nations. Pursuant to historical treaties first nation bands ceded title to most traditional lands in northern Saskatchewan in exchange for treaty lands but generally retained their right to hunt, fish and trap on these traditional lands. Cameco understands that the federal and Saskatchewan government have a duty to consult first nations before they take actions that will affect the ability of first nations' people to exercise these rights. A 2002 decision of the British Columbia Court of Appeal, involving the Haida First Nation and lands not ceded to the government of British Columbia pursuant to a treaty, imposed a duty on a resource company to consult the Haida First Nation with respect to the transfer and renewal of a timber harvesting licence granted by the province, since the resource company knew or ought to have known that the government failed to consult with the Haida First Nation. This decision is presently under appeal to the Supreme Court of Canada.

In February 2004, Cameco received correspondence from the English River First Nation asserting a right to be consulted with respect to the use of its traditional lands, which encompass the McArthur River mine, Key Lake mill and certain exploration areas. While not having a legal duty to consult, Cameco has a practice of engaging in extensive dialogue with first nations and other stakeholders in northern Saskatchewan and believes it has good relations. Cameco also employs a significant number of first nations people at its operations and has substantial business relationships with first nations in northern Saskatchewan and provides other social and educational support to first nations in northern Saskatchewan. Cameco intends to discuss this matter with the English River First Nation.

US Operations

The Company's uranium reserves and resources in the US are held by subsidiaries and are located in Wyoming and Nebraska. The right to mine or develop minerals is acquired either by leases from the fee simple owners (private parties) or mining claims located on property owned by the US Federal Government. In addition, the Company's subsidiaries acquire surface leases which allow wellfield installation and operation to permit the mining of the uranium reserves by ISL operations.

Canadian Royalties and Certain Taxes

Cameco pays royalties to the province of Saskatchewan on the sale of uranium extracted from ore bodies within the province under the terms of Part III of the Crown Mineral Royalty Schedule, 1986 (Saskatchewan) (the "Schedule"), as amended. Royalties include both a basic royalty and a tiered royalty. The basic royalty is equal to 5% of gross sales of uranium and is reduced by the Saskatchewan resource credit equal to 1% of the gross sales of uranium.

The tiered royalty is an additional levy on the gross sales of uranium which applies only when the sales price of uranium exceeds levels prescribed by the Schedule. Uranium sales subject to the tiered royalty are first reduced by capital allowances as permitted by the Schedule for new mine or mill construction and certain mill expansion. When these capital allowances are reduced to zero, tiered royalties become payable. Both the prices and the capital allowances as defined in the Schedule are adjusted annually to reflect changes in the Canadian gross domestic product.

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

	Royalty Rate	Canadian Dollar Sales Price in Excess of:	
	6%	$	14.69
plus	4%	$	22.03
plus	5%	$	29.38

The above prices are applicable to 2003 and are in Canadian dollars.

For example, if the sales price realized by Cameco was $25 per pound in Canadian dollars, tiered royalties would be calculated as follows (assuming all capital allowances have been reduced to zero):

[6% x ($25.00 – $14.69) x pounds sold] + [4% x ($25.00 – $22.03) x pounds sold]

Cameco did not pay tiered royalties in 2003. Cameco does not expect to pay tiered royalties in 2004 due to the availability of capital allowances.

Cameco is subject to capital taxes on paid-up capital (as defined for capital tax purposes in the relevant provincial legislation) in respect of its operations in Saskatchewan and in Ontario. In Saskatchewan, it pays at a rate of 0.6% on paid-up capital in excess of $10 million (note that this exemption amount can be as high as $15 million, depending on the percentage of salaries and wages paid in Saskatchewan). In addition, a resource corporation in Saskatchewan pays a corporate resource surcharge of 3.6% of the value of resource sales. This surcharge is only payable to the extent that it exceeds the regular capital tax. In Ontario, the Company pays a tax of 0.3% on paid-up capital allocated to Ontario.

Canadian Income Taxes

Cameco, certain wholly owned subsidiaries, and UEM are subject to federal and provincial income tax in Canada. Current income tax expense for 2003 was $7.0 million.

In 2003, the federal government enacted amendments to the ITA that provides for a reduction in the corporate tax rate on income from resource activities from the present level of 28% to 21%, over a five-year period commencing in 2003. Under Canadian accounting rules, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantial enactment. Accordingly, Cameco reduced its balance sheet provision for future income taxes and recognized a one-time, non-cash income tax adjustment of $86.2 million in the second quarter.

In December 2003, the Ontario government passed amendments which increased the general corporate tax rate from 11% to 14% effective January 1, 2004. In addition, previously scheduled tax rate decreases for 2004 to 2006 were repealed. Under Canadian accounting rules, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantial enactment. Accordingly, Cameco increased its balance sheet provision for future income taxes and recognized a one-time, non-cash income tax adjustment of $4.9 million in the fourth quarter.

For income tax purposes, 10% of royalties are deductible in 2003 increasing to 100% in 2007. However, Cameco is eligible for the resource allowance (except at Bruce Power) which is a deduction from income for tax purposes. The resource allowance is equal to 25% of adjusted resource profits, as defined in the ITA. The resource allowance is 90% deductible in 2003, decreasing thereafter until it is eliminated in 2007. Bruce Power is eligible for the manufacturing tax credit and processing tax credit.

Cameco, certain wholly owned subsidiaries and UEM are also subject to federal large corporations tax, which is levied on a corporation's taxable capital employed in Canada. This tax is calculated at a rate of 0.225% on taxable capital in excess of $10 million. Total large corporations tax paid in 2003 was $5.0 million.

US Taxes

The Company, through its US subsidiaries, pays a severance tax to the state of Nebraska in respect of uranium produced at the Crow Butte mine and pays an ad valorem tax to the county and a severance tax to the state of Wyoming in respect of the Smith Ranch-Highland operation. Total severance and ad valorem taxes paid in 2003 were $628,000(US).

The Company, also through its US subsidiaries, is subject to US federal and state income tax. The income of Cameco's US subsidiaries is currently not subject to US regular income tax due to certain income tax deductions that are available. The Company's US subsidiaries may also be subject to Alternative Minimum Tax (AMT) at a rate of 20%. AMT paid in prior years may be carried forward indefinitely to be applied as a credit against future regular income taxes.

Employees

At December 31, 2003, Cameco had 1,538 employees. Of the total, 567 employees are represented by three separate locals of the United Steelworkers of America trade union with collective agreements for each of the two bargaining units at the Port Hope conversion facility (expiring June 30, 2004) and one for the bargaining unit employees at the McArthur River and Key Lake operations. In December 2003 Cameco signed a new collective agreement for bargaining unit employees at the McArthur River and Key Lake operations which expires December 31, 2005.

Risk Factors

The following information pertains to the outlook and conditions currently known to the Company which could have a material impact on the financial condition of the Company. This information, by its nature, is not all inclusive. It is not a guarantee that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis (Appendix "B"). There are also additional risk factors identified under "Common Risk Factors – Uranium and Gold". As the context requires, the reference to Company or Cameco also includes Cameco's direct and indirect subsidiaries.

Volatility and Sensitivity to Prices and Costs

Because the majority of the Company's revenues are derived from the sale of uranium and uranium products, the Company's net earnings and operating cash flow are closely related and sensitive to fluctuations in the long and short term market price of U_3O_8 and for uranium conversion services. Historically, these prices have fluctuated and have been and will continue to be affected by numerous factors beyond the Company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries, such as Canada, the US and Russia and other republics of the CIS; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production in countries such as Russia and other republics of the CIS, Africa and Australia.

The fluctuation of the prices of uranium and UF6 conversion services is illustrated by the following tables, which set forth, for the periods indicated, the highs and lows of the spot price for non-CIS origin U3O8 and the UF6 conversion services:

Spot Uranium Prices (1)
(US $/lb of U3O8)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Spot										
High	9.60	12.20	16.50	14.30	11.80	10.90	9.40	9.50	10.20	14.40
Low	9.05	9.65	13.00	10.20	8.75	9.60	7.10	7.20	9.70	10.10

(1) Source: The Nuexco Exchange Value, formerly published by Nuexco. Since January 1995, it has been published by TradeTech. Since late 1992 the spot prices reflect the spot price for all uranium other than of CIS origin.

Range of Nuexco UF6 Conversion Values (1)

For Spot and Near-Term Transactions

(US$/kg U)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Spot										
High	5.40	5.85	6.15	6.10	5.10	3.85	3.25	5.25	5.25	6.50
Low	5.35	5.50	5.85	5.10	3.50	2.55	2.35	3.65	5.05	4.90

(1) Source: The Nuexco Conversion Value, formerly published monthly by Nuexco. Since January 1995, it has been published by TradeTech. The conversion value over this period of time is for the provision of conversion services delivered in North America.

Although the Company employs various pricing mechanisms within its sales contracts to manage its exposure to price fluctuations, there can be no assurance that such a program will be successful.

Competition from Other Energy Sources and Public Acceptance of Nuclear Energy

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrates and uranium conversion services. Furthermore, growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry.

Uranium Industry Competition and International Trade Restrictions

The international uranium industry, including the supply of uranium concentrates and the provision of uranium conversion services, is highly competitive. The Company markets uranium to utilities in direct competition with supplies available from a relatively small number of western world uranium mining and enrichment companies, from certain republics of the CIS and the People's Republic of China, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium from used reactor fuel, and from the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of UF6. The supply of uranium from Russia is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of Cameco and may affect the supply of uranium available in the US and Europe, which are the largest markets for uranium in the world.

With respect to UF6 conversion, the Company competes on the basis of price, location and service with two other full scale commercial suppliers in the western world and with additional supplies available from excess inventories, including inventories made available from decommissioning of nuclear weapons, and the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of UF6.

Deregulation of the Electrical Utility Industry

The Company's future prospects are tied directly to the electrical utility industry worldwide. Deregulation of the utility industry, particularly in the US and Europe, is expected to impact the market for nuclear and other fuels for years to come, and may result in the premature shutdown of nuclear reactors. Experience to date with deregulation indicates that utilities are improving the performance of their reactors, achieving record capacity factors. There can be no assurance that this trend will continue.

Replacement of Reserves

The McArthur River and Rabbit Lake mines are currently the Company's principal sources of uranium concentrates. Unless the Cigar Lake deposit is placed into production or other reserves are discovered or extensions to existing orebodies are found, the Company's sources of mined uranium concentrates will decrease over time as reserves at these two mines are depleted. The Rabbit Lake mine is expected to be depleted in early 2006. Although in the past the Company (or its predecessors) has successfully replenished its reserves through ongoing exploration, development and acquisition programs, there can be no assurance that Cameco's future exploration, development and acquisition efforts will be successful. In addition, while Cameco believes that the Cigar Lake deposit will be put into production, there can be no assurance that it will be.

Due to the unique nature of the deposits at McArthur River and Cigar Lake, technical challenges exist involving groundwater, rock properties, radiation protection and ore-handling and transport. Failure to resolve technical challenges at McArthur River or Cigar Lake may have a material adverse effect on the Company.

Decommissioning and Reclamation

Environmental regulators are increasingly requiring financial assurances to assure that the cost of decommissioning and reclaiming sites are borne by the parties involved, and not by government. Cameco has filed decommissioning plans for certain of its properties with regulators. These regulators have accepted the decommissioning plans in concept, not upon a detailed performance forecast, which has not yet been generated. As Cameco properties approach or go into decommissioning, further regulatory review of the decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

Dependence on Limited Number of Customers

The Company's principal business relates to the production and sale of uranium concentrates and the provision of uranium conversion services. The Company relies heavily on a small number of customers to purchase a significant portion of its production of uranium concentrates and its uranium conversion services. For instance, for the period 2004 through 2006, Cameco's five largest customers are anticipated to account for approximately 42% of the Company's contracted supply of U3O8. For the period 2004 through 2006, Cameco's five largest UF6 conversion customers are anticipated to account for approximately 36% of the Company's contracted supply of UF6 conversion services. Cameco is currently the only commercial supplier of UO2 for use in Canadian CANDU heavy water reactors with sales to its largest customer, OPG, accounting for approximately 40% of the Company's UO2 sales in 2003. The loss of any of the Company's largest customers or curtailment of purchases by such customers could have a material adverse effect on the Company's financial condition and results of operations.

Technical Obsolescence

Requirements for the Company's products and services may be affected by technological changes in nuclear reactors, enrichment and used fuel processing.

Bruce Power LP – Nuclear Electrical Generation

Overview

Business

Bruce Power's business is the generation and sale of electricity into the Ontario wholesale market. Bruce Power generates electricity using the four Bruce "B" and two Bruce "A" nuclear powered units. The Bruce "B" nuclear units and the two restarted Bruce "A" units have capacity to supply about 20% of Ontario's electricity needs. Bruce Power has about 3,300 employees.

2001 Acquisition

On May 12, 2001, Cameco, through its wholly owned subsidiary, Cameco Bruce Holdings Inc., acquired a 15% limited partnership interest in Bruce Power, an Ontario limited partnership, and directly acquired a 15% interest in Bruce Power Inc., the general partner of Bruce Power. On the same date, Bruce Power signed and closed agreements with OPG and certain of its subsidiaries to lease and operate the Bruce "A" and "B" nuclear powered units and related facilities located in southwestern Ontario.

To obtain its interest in Bruce Power, Cameco committed to invest up to $100 million in Bruce Power and to provide up to approximately $102 million in financial assurances on behalf of Bruce Power. As of December 31, 2002, Cameco had invested approximately $93 million in Bruce Power and had provided about $84 million in financial assurances. In addition, Cameco purchased finished nuclear fuel from OPG for approximately $74 million for resale to Bruce Power, which resale has been completed.

Concurrent with Cameco's acquisition, The Power Workers' Union acquired a 2.0% interest in Bruce Power and The Society of Energy Professionals acquired a 0.6% interest in Bruce Power. They are the two main unions representing workers at Bruce Power. BE indirectly held the balance, being an 82.4% interest in Bruce Power.

2003 Acquisition

In early September of 2002, after announcing a weakened financial position, BE received financial support from the British government. As a condition of the agreement to provide its financial support, the British government required and received guarantees from certain BE subsidiaries and related companies, including Bruce Power. BE's weakened financial position resulted in its agreement, in late 2002, to sell 79.8% of Bruce Power to a consortium of Cameco, TransCanada PipeLines Limited ("TransCanada"), and BPC Generation Infrastructure Trust ("BPC"), a trust established by Ontario Municipal Employees Retirement System. The Power Worker's Union and The Society of Energy Professionals agreed to acquire BE's remaining 2.6% interest in Bruce Power.

On February 14, 2003 the agreement closed, with a Cameco wholly owned subsidiary, Cameco Bruce Holdings II Inc., acquiring a 16.6% interest in Bruce Power, bringing Cameco's total indirect interest in Bruce Power to 31.6%. Cameco concurrently increased its interest in Bruce Power Inc. from 15% to 33.3%. Cameco acquired these interests from an affiliate of BE and paid approximately $204 million.

Concurrently, TransCanada, through a subsidiary, and BPC each acquired a 31.6% interest in Bruce Power and a 33 1/3% interest in Bruce Power Inc. from the same BE affiliate. The Power Worker's Union and The Society of Energy Professionals increased their collective interest in Bruce Power from 2.6% to 5.2% as part of the same transaction.

As part of the closing of this transaction, a Cameco subsidiary, a TransCanada subsidiary and BPC each advanced $75 million to Bruce Power. Bruce Power used these funds to pay $225 million in deferred rent that it owed to OPG (see "Overview-*Bruce Power-OPG Lease*").

The Bruce Power limited partnership agreement and certain other related documents were amended to give effect to the new ownership of Bruce Power following closing. Under these new arrangements, among other things, Cameco will continue as Bruce Power's fuel manager (see "Cameco Fuel Management").

As part of the acquisition of BE's interest in Bruce Power, the consortium acquired a BE affiliate's 50% interest in Huron Wind L.P. (Cameco subsidiary's share is 1/3 of the 50% interest). Located adjacent to the Bruce site, the nine-megawatt Huron Wind L.P. wind farm officially opened on November 29, 2002. OPG owns the other 50% of Huron Wind L.P.

Upon closing, Bruce Power's guarantees in support of the financial support to BE provided by the British government were released.

The acquisition and its share of the OPG deferred rent payments were funded by Cameco with existing cash reserves and short-term debt.

Cameco's total commitment for financial assurances given on behalf of Bruce Power is estimated to be $191 million at December 31, 2003. These financial assurances include financial assurances given to the CNSC in support of Bruce Power's operating licence, guarantees in favour of OPG under the lease between Bruce Power and OPG for the Bruce site, and guarantees in support of Bruce Power's power purchase agreements with customers. This last

commitment is subject to adjustment as the actual amounts of financial assurances in support of power purchase agreements will fluctuate in response to wholesale electricity market changes.

Bruce Power-OPG Lease

In May 2001, Bruce Power signed and closed agreements to lease and operate the Bruce "A" and "B" nuclear powered units and related facilities in southwestern Ontario with OPG and certain of its subsidiaries. The initial lease period expires in 2018. Bruce Power has the right to extend the lease and certain related agreements for up to an additional 25 years. The lease was amended in January 2002, and again in 2003 as part of the 2003 Acquisition described above.

Bruce Power paid OPG an initial rental payment of about $552 million, comprised of about $327 million in cash and a $225 million note receivable as deferred rent. As part of the 2003 Acquisition, a Cameco subsidiary, a TransCanada subsidiary and BPC each advanced $75 million to Bruce Power. Bruce Power used these funds to pay the $225 million OPG note receivable.

Bruce Power is the tenant under a lease with OPG on the Bruce nuclear power facility. The initial term of the lease expires in 2018 with an option on the part of Bruce Power to extend the lease by up to 25 years. The Bruce nuclear power facility continues to be managed and operated by the management and staff of Bruce Power. Spent fuel and decommissioning liabilities remain the responsibility of OPG and, as determined at the inception of the lease, are covered by the existing lease payments. The lease agreement with OPG provides for limited adjustments to the base rent every five years during the initial term of the lease. These limited adjustments are based on a maximum of 50% of the discounted value of the expected increase to the decommissioning costs for the Bruce Power facility, determined using predetermined principles and assumptions. For each year in the period 2004 to 2008, the aggregate of these rents, subject to limited exceptions, cannot be less than $190 million. In 2003, the aggregate of these rent payments was approximately $177 million. There are no similar adjustments to the existing lease payments with respect to spent fuel liabilities. Commencing in 2006, Bruce Power also has the right to terminate the lease if the continuing operation of the facility is no longer economically viable, subject to a lease termination fee, certain ongoing operational requirements during handover and certain shut-down conditions prior to handover. Cameco has severally guaranteed Bruce Power's performance of these obligations.

OPG is responsible for nuclear waste and decommissioning liabilities at the Bruce site. OPG is responsible for the plant decommissioning after the reactors have been defuelled and the heavy water drained (see "Nuclear Waste Management and Decommissioning").

The Generating Facilities

The Bruce nuclear generating stations are located approximately 250 kilometres northwest of Toronto on Lake Huron. The Bruce nuclear generating stations consist of eight CANDU reactors. The four Bruce "B" reactors, with a combined net generating capacity of 3,160 megawatts, were commissioned between 1984 and 1987. The four Bruce "A" reactors, with a combined generating capacity of 3,087 megawatts, were commissioned between 1977 and 1979 and removed from service by OPG between 1995 and 1998. Bruce Power has returned two of the Bruce "A" reactors to service, with a combined net generating capacity of 1,500 megawatts. Bruce Power is currently undertaking a review of the feasibility of returning the other two Bruce "A" reactors to service. The four Bruce "B" reactors and two Bruce "A" reactors give Bruce Power a net generating capacity of 4,660 megawatts. An average capacity factor of 80% is forecast for the Bruce "A" and "B" stations during 2004 compared to 85% in 2003, which reflects planned maintenance outages on the Bruce "A" and "B" reactors during the year, and a planned outage of all four Bruce "B" units in the fall of 2004, to do an inspection of the vacuum building. This latter planned outage requires all four units to be shut down simultaneously for approximately one month. This inspection is required by applicable regulatory requirements once every ten years.

The estimated operating life of a nuclear generating station ends when substantial capital expenditures are required to replace life-limiting components, such as steam generators and fuel channel pressure tubes, and such capital expenditures are not economically justified. Bruce Power estimates that the operating life of the four Bruce "B" nuclear units will end about mid-2018 (based upon 201,000 effective fuel power hours for fuel channels) and the operating life of the two Bruce "A" units will end about 2009 for Unit 3 and 2017 for Unit 4 (assuming steam generator replacement for Unit 4 in 2007). An investment by Bruce Power to replace steam generators, fuel channel pressure tubes and other life-limiting components at the end of their useful life will depend, among other things, on prevailing economic, financial and market conditions. If replacement of life-limiting components is not justified,

Cameco expects that Bruce Power will continue to operate these units until their shutdown is dictated by safety or economic considerations.

In 2003, Bruce Power's capital expenditure program, excluding the Bruce "A" restart program, was about $159 million. In 2004, Bruce Power's capital expenditure program for the two A and four B reactors is expected to total about $280 million, plus an additional $120 million for sustaining capital and site service support areas. The capital expenditure program consists of:

Bruce B turbines/power uprate	$160 million
Bruce A unit 4 steam generators (progress payment)	$ 25 million
Infrastructure projects	$ 95 million

Bruce Power capital expenditures are expected to average about $200 million for each of 2005 and 2006. This excludes sustaining capital and expenditures for site service support areas, which are expected to average about $120 million per year.

As part of its Bruce "B" power uprate project, Bruce Power plans to refuel the Bruce "B" units with modified fuel containing SEU beginning in 2007. The Bruce "B" units are currently operating at 90% of maximum power based upon an operating limitation imposed by the CNSC. This limitation was placed on the reactors when studies revealed that emergency shutdown systems may not provide sufficient safety margins for certain low probability accidents. The derating to 90% of full power ensures that the necessary safety margin is maintained. The use of the modified fuel is intended to improve the safety margins of the reactors and allow them to operate at their design capacity and with the necessary safety margin. Approval is required from the CNSC to operate the Bruce "B" units with the modified fuel. (see "Uranium Fuel Conversion Services" and "Cameco Fuel Management").

Bruce "A" Restart

One of Bruce Power's key initiatives was the restart of two of the four laid-up units of the Bruce "A" station (Units 3 and 4). The first Bruce "A" unit (Unit 4) was connected to the Ontario electricity grid in October, 2003, and declared in commercial production as of November 1st, 2003, with the second (Unit 3) connected to the grid in January, 2004, but not yet declared in commercial production. These two Bruce "A" units have a combined net generating capacity of about 1,500 megawatts. The project costs to restart Units 3 and 4 of the Bruce "A" station are estimated at $724 million, with about $351 million incurred in 2003 and $25 million in early 2004. These costs are materially above the first forecast costs due to increased scope arising as a result of security concerns and regulatory requirements. There was also some unanticipated work required to assure safe startup and operation.

All relicensing hearings and approvals have been completed with the CNSC for the restart of Units 3 and 4. Units 3 and 4 are now under CNSC operational oversight.

Ontario Deregulation

The electricity market in the province of Ontario opened ("Market Opening") to full competition on May 1, 2002. In order to create a competitive market after Market Opening, the Ontario government approved a framework, known as the "market power mitigation" framework, to ensure an orderly and gradual transition to an industry structure in which OPG's share of generating capacity available to the Ontario market is substantially reduced.

OPG's decontrol targets are specified in terms of Tier 1 and Tier 2 capacity. Tier 1 capacity is defined as all nuclear and hydroelectric generation in Ontario. Tier 2 capacity is defined as that portion of Ontario's generation capacity, including fossil generation, inter-tie capacity and demand-side bidding, that is not part of Tier 1 capacity. Within 42 months after May 1, 2002, OPG is required to reduce its share of in-service Tier 2 generating capacity through transfer of effective control of a minimum of 4,000 megawatts of in-service Tier 2 capacity. At OPG's discretion, it may substitute the transfer of effective control of up to 1,000 megawatts of hydroelectric power in place of an equivalent amount of Tier 2 capacity. Within 10 years after May 1, 2002, OPG must reduce its effective control of total Tier 1 and Tier 2 capacity to 35% or less of the supply options in the Ontario market. Forty-two months following May 1, 2002, the Ontario Energy Board ("OEB") will review and publicly report on OPG's success in attaining its decontrol target respecting Tier 2 capacity, as well as its plans for meeting its 10 year decontrol target. In keeping with its decontrol obligations, in May 2001 OPG leased the Bruce nuclear generating stations to Bruce Power.

In the Ontario market, generators, wholesalers and suppliers, both inside and outside Ontario, compete to sell electricity into the real time energy market or spot market administered by an agency established by the Ontario

government called the Independent Electricity Market Operator ("IMO"). Both wholesale market participants and retail customers have access to the electricity supplier of their choice. Bruce Power earns revenue through medium- and long-term contracts and spot market sales. Bruce Power uses risk management activities, such as hedging in order to mitigate Bruce Power's exposure to volatile electricity prices.

In November 2002, the Government of Ontario introduced Bill 210 *Electricity Pricing, Conservation and Supply Act, 2002,* reversing, in part, its decision to deregulate the electricity market. The Bill became law on December 9, 2002. The new legislation and related regulations include the following key features:

- Effective December 1, 2002 (but retroactive to Market Opening) and at least until April 30, 2006, the price of electricity paid by "low volume consumers" (consumers using less than 150,000 kWh annually, although this was subsequently increased to 250,000 kWh, as described below) and other "designated consumers" is fixed at 4.3¢/kWh;

- The rates of transmission and distribution and the fees for the operation of the IMO are capped at current levels.

- IMO market uplift charges to distributors and low volume and designated consumers are capped at 0.62¢/kWh.

- The Minister of Energy has been given increased power including the ability to review market rules made by the IMO to ensure that the new rules do not unduly and adversely affect the interests of consumers, with respect to prices or the reliability or quality of electricity service. This Minister has also been given power to control rates approved by the OEB and to require certain orders to be amended.

- Tax incentives are provided to promote conservation, use of alternate fuels and support for clean energy production through a variety of mechanisms.

On March 21, 2003, the Province announced a business protection plan for large electricity consumers in Ontario. Under this plan, consumers using up to 250,000 kWh per year were included in the fixed price rate of 4.3¢/kWh retroactive to May 1, 2002. Except for certain designated customers, all consumers using above 250,000 kWh per year remained in the competitive wholesale and retail markets and receive rebates under the terms of the existing market power mitigation agreement arrangements for the 12 months ending April 30, 2003. Effective May 1, 2003, rebates to these customers were fixed at 50% of the amount by which the average spot price in the IMO-administered market exceeds 3.8¢/kWh, with rebates paid on a quarterly basis.

On November 25, 2003, the newly elected Liberal Ontario Provincial Government introduced Bill 4, the Ontario Energy Board Amendment Act, 2003, which will remove the 4.3¢/kWh price freeze. As of April 1, 2004, an interim pricing plan is expected to be implemented. The first 750 kWh (kilowatt hours) will be priced at 4.7¢/kWh and monthly consumption above that level will be priced at 5.5¢/kWh. The Ontario government stated that the interim pricing structure will remain in place until the independent regulator, the Ontario Energy Board, develops a clear and transparent mechanism for setting prices, to be implemented as soon as possible, but not later than May 1, 2005. The interim pricing structure does not distinguish between commercial and residential users; it only distinguishes between consumption patterns.

The new Ontario Provincial Government policy is to halt the decontrol of the OPG assets. Energy policy and the decontrol of OPG are under review by the Ontario government. There is uncertainty as to what actions will be taken.

These regulatory changes have not had a direct impact on the price to date in the wholesale electricity market into which Bruce Power sells its output. However, the volume of medium- and long-term transactions in the wholesale electricity market has dramatically decreased and the regulatory changes have increased uncertainty for generators like Bruce Power.

Cameco Fuel Management

Cameco has overall responsibility to procure nuclear fuel for Bruce Power. This includes the supply by Cameco of all uranium concentrates and UO2 conversion services required for the Bruce nuclear generating stations, making Bruce Power a significant customer for Cameco's core products. The six Bruce units are expected to use at least 1.5 million pounds of U3O8 and 600 tonnes of natural UO2 conversion services each year.

In late 2001, on behalf of Bruce Power, Cameco negotiated a fuel manufacturing services agreement with Zircatec Precision Industries Inc. ("ZPI") covering all of Bruce Power's fuel manufacturing requirements through the initial lease period. Under the arrangement, ZPI will manufacture UO2 provided by Cameco into finished nuclear fuel bundles for Bruce Power.

Bruce Power is also pursuing the use of SEU as part of its power uprate project for the four Bruce "B" units. Cameco is working with Bruce Power, ZPI and others in the development of SEU. Cameco expects Bruce Power's use of SEU will increase the volume of U3O8 sold to Bruce Power and will not significantly reduce natural UO2 conversion services sold to Bruce Power (see "Uranium Fuel Conversion Services"). Cameco has initiated a project at its Port Hope facilities to modify and add to the facilities to manufacture SEU power for the Bruce Power fuel. An environmental assessment is currently being prepared in accordance with regulatory requirements.

OPG Services to Bruce Power

As part of the OPG-Bruce Power transaction, OPG agreed to provide certain services to Bruce Power. Some of these services are required in order for Bruce Power to comply with terms of its CNSC operating licences. The material short-term OPG services include: nuclear operating support services and steam generator and fuel channel inspection and maintenance services. These services may be terminated upon 12 months prior notice by either Bruce Power or OPG. The material long-term OPG services include services relating to the supply, delivery and processing of heavy water for use in the Bruce nuclear units, low level and intermediate waste storage and disposal services, and collection and storage of used fuel bundles generated from the operation of the Bruce nuclear units as further described in "Nuclear Waste Management and Decommissioning."

Nuclear Waste Management and Decommissioning

As they operate, the Bruce nuclear units generate:

- used nuclear fuel bundles ("high-level radioactive waste");
- other material that has come in close contact with reactors but is less radioactive than used nuclear fuel bundles, such as ion exchange resins and other structural material and reactor equipment, including pressure tubes ("intermediate-level radioactive waste"); and
- material used in connection with station operation that is not highly radioactive ("low-level radioactive waste").

Used nuclear fuel bundles from the Bruce reactors are temporarily stored in water-filled pools ("wet bays") at the Bruce nuclear stations for a cooling off period of at least ten years during which their radioactivity substantially decreases. OPG has constructed a dry storage facility at its radioactive waste operations site that is located on a part of the Bruce site not leased to Bruce Power. After the cooling off period, used nuclear fuel bundles will be transferred to above ground concrete canisters at OPG's dry storage facility. In-station modifications to the Bruce "B" wet bays to support the loading of used nuclear fuel bundles into dry storage containers were completed by Bruce Power in 2002. When originally constructed, the wet bays at Bruce "A" and "B" had sufficient capacity to store used nuclear fuel bundles for up to 15 to 20 years of operation. The Bruce "B" wet bays are at or near full capacity, but in 2003, OPG started transferring the used fuel bundles to its dry storage facility.

Bruce Power pays OPG a fee for OPG to assume title to the used nuclear fuel bundles discharged from the Bruce reactors during the lease period. OPG retains title to all used fuel bundles stored in the wet bays before May 11, 2001. No later than April 2003, OPG was required to commence collection of used nuclear fuel bundles stored in the wet bays for transport to and storage at its dry storage facility at the Bruce site. These shipments have now commenced. While the used nuclear fuel bundles are contained in wet bays, Bruce Power is responsible for their management.

During the term of the lease, OPG has also agreed to take title to, store and dispose of all of Bruce Power's low and intermediate-level radioactive waste at OPG's radioactive waste management facility at the Bruce site. OPG retains title to all low and intermediate-level radioactive waste generated before May 11, 2001.

Under the lease agreement, OPG, as the owner of the Bruce nuclear plants, is responsible for decommissioning of the eight Bruce nuclear units and for funding and meeting other requirements relating thereto that the CNSC may require of Bruce Power as licensed operator of the Bruce nuclear plants. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

There is no facility in Canada for the permanent disposal of used nuclear fuel. Bill C-27, the *Nuclear Fuel Waste Act*, implementing the federal government's nuclear fuel waste management strategy, received Royal Assent on June 13, 2002. Under this legislation, owners of used nuclear fuel in Canada established an organization, as a separate legal entity, with a mandate to manage and co-ordinate the full range of activities relating to the long-term management of used nuclear fuel. The organization is to report regularly to the federal government and to make recommendations on long-term management of used nuclear fuel. The legislation also required the owners of used nuclear fuel, including OPG, to establish a trust fund with a Canadian financial institution and make specified deposits. As OPG is the owner of the used nuclear fuel bundles discharged from the Bruce units, it, not Bruce Power, is subject to the financial contribution requirements of this legislation.

Regulatory Affairs

The federal government under the *Nuclear Safety and Control Act* (Canada) regulates Bruce Power's nuclear operations. (see "Government Regulation-Canadian Uranium Industry Regulation"). In addition, Bruce Power is subject to the *Nuclear Liability Act* ("NLA").

All of the construction, equipment, safety systems and operating limits for the Bruce nuclear generation stations are subject to regulation by the CNSC under the Canadian Nuclear Safety and Control Act. Bruce Power is required to regularly report to the CNSC, which monitors the safety performance of the Bruce nuclear generating stations. On May 9, 2001, Bruce Power received a licence to operate the Bruce "B" nuclear units and a license to operate the Bruce "A" nuclear units, which licences took effect on May 11, 2001.

On September 24, 2003, a CNSC hearing was held to consider the renewal of the power reactor operating licenses for the Bruce "A" and "B" reactors. The hearing was adjourned to February 5, 2004 to give further consideration to the form and amount of financial assurances to be given to the CNSC by Bruce Power and its owners. Currently, Bruce Power has an interim license to operate the "A" and "B" reactors until March 2004.

The NLA requires operators of nuclear generating facilities to purchase nuclear liability insurance from the Nuclear Liability Association of Canada in amounts specified in the NLA. Currently, the NLA requires the operator of nuclear stations to maintain, for each of its nuclear stations, insurance up to a limit of $75 million for liability imposed under the NLA. Under Part I of the NLA, an operator is strictly liable for any damage to property of, or personal injury to, the public arising from a nuclear incident (as defined in the NLA), other than damage resulting from sabotage or acts of war. If in the opinion of the Governor in Council, an operator's liability could exceed $75 million in respect of a nuclear incident, or it would be in the public interest to do so, the Governor in Council would proclaim Part II of the NLA in effect. Under Part II of the NLA, an operator's liability would effectively be limited to the amount of such insurance and the Governor in Council may authorize funds to be paid by the federal government for claims in excess of that amount. The NLA is currently under review and this review could require an increase in insurance coverage that Bruce Power must obtain.

Nuclear Generation – Risk Factors

The following information, known to the Company, pertaining to the outlook and conditions applicable to Bruce Power, could have a material impact on its contribution to Cameco's financial results. This information, by its nature, is not all-inclusive. It is not a guarantee that other factors will not affect Bruce Power and, as a consequence, Cameco. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis. (Appendix "B")

Restructuring of Ontario's Electricity Industry

The government of Ontario retains the overall power to regulate and further restructure Ontario's electricity industry. Ontario's electricity market opened to competition May 1, 2002 with the introduction of competition in both the wholesale and retail markets in Ontario. However, the Ontario government in November 2002, March 2003 and November 2003, as described in "Ontario Deregulation", announced regulatory changes reversing, in part, its decision to deregulate the electricity market. The regulatory authorities responsible for the structuring, development and operation of the new Ontario electricity market, the IMO and OEB, and many of the incumbent participants in the Ontario market, including Bruce Power, have little or no operating experience in a competitive electricity marketplace. Accordingly, it is possible that further changes in the structure of electricity industry may be necessitated based on the experience of regulatory authorities and market participants in the new competitive environment. These changes may be accomplished either through fundamental changes by the government of Ontario to the structure of the Ontario electricity industry, or through changes made by the IMO to the market rules.

In addition, it is difficult to predict the effect of these changing market and regulatory conditions on Bruce Power's business, results of operations, financial position or prospects.

In certain jurisdictions where the energy marketplace has been opened to competition, factors such as energy price volatility and episodes of supply shortages have prompted a re-examination of the market framework by governments, regulatory authorities and consumer groups. An example is the November 2002 announcement by the Ontario government of the price cap of 4.3 cents per kilowatt-hour for certain participants in the retail electricity market and the subsequent announcement in November 2003 to change this price cap to 4.7 cents per kilowatt-hour and 5.5 cents per kilowatt-hour, depending on consumption. Political, regulatory and consumer responses to the competitive wholesale and retail electricity markets in Ontario and the possible development of a trend toward re-regulation in the North American electricity industry, could have a material adverse effect on Bruce Power's business, results of operations, financial position or prospects.

Government Regulation

Bruce Power's operations are subject to extensive government regulation that may change from time to time. Matters that are subject to regulation include nuclear operations (including regulation pursuant to *Nuclear Safety and Control Act* (Canada), the NLA and the *Emergency Plans Act* (Ontario)), nuclear waste management and decommissioning and environmental matters including air emissions. Operations that are not currently regulated may become subject to regulation. Because legal requirements are frequently changed and are subject to interpretation, Bruce Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of Bruce Power's operations are regulated by government agencies that exercise discretionary powers conferred by statute. Because the scope of such authority is uncertain and may be inconsistently applied, Bruce Power is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Due to, among other things, inadequate safety margins, the CNSC has the power to limit the output from or order the shutdown of one or more of the Bruce "A" and "B" units and to impose additional onerous licence conditions on Bruce Power.

Nuclear Operations

Bruce Power is subject to extensive federal regulation with respect to its nuclear operations. Bruce Power's failure to comply with such regulation could have a material adverse effect on Bruce Power.

Risks of substantial liability, as well as the potential for significant increased costs of operations, arise from the management and operation of nuclear generating stations, including, among other things, from structural problems, increasing security requirements to cover factors such as physical security threats, equipment malfunctions, and the storage, handling and disposal of radioactive materials. Bruce Power has implemented risk management strategies, but there can be no assurance that such risks can be minimized or eliminated. An accident at a nuclear installation anywhere in the world or other reasons could cause the CNSC to limit the operation or licensing of the Bruce nuclear generation stations.

OPG undertook a testing and inspection program to ascertain the physical condition of its nuclear generating stations. Under the OPG-Bruce Power lease arrangement, Bruce Power has continued that program for the Bruce nuclear generating stations by contracting with OPG for the supply of steam generation, fuel channel and other inspection services. As a result of this program, OPG identified equipment life cycle issues, such as steam generator tube corrosion, feeder pipe wall thinning and pressure tube/calandria tube contact. Cameco understands these conditions were anticipated in the design but that experience has shown that the rate of degradation is higher than anticipated. In addition, no nuclear generating station utilizing CANDU technology has yet completed a full life cycle. There can be no assurance that Bruce Power will not have to incur significant capital expenditures for repairs or replacements in addition to those currently contemplated. To address these issues, Bruce Power may need to increase preventative maintenance programs and allow for more outage time (a period when a nuclear reactor is not operating) than currently planned. Such additional repairs, replacements and longer outage times could have a material adverse effect on Bruce Power.

The occurrence of any of these events could adversely effect Bruce Power's expected contribution to Cameco's financial results.

Reliance Upon Single Contractors

Bruce Power is dependent upon OPG for certain nuclear support services, Cameco for U3O8 supply and UO2 conversion services, and ZPI for fuel manufacturing services. Reliance by Bruce Power on a single contractor for each of these services is a supply security risk. Failure of any of these suppliers to provide services of adequate quality or in a timely manner, or, in the case of OPG, to agree to extend the term of short-term material service agreements, could have a material adverse effect on Bruce Power and, as a result, Bruce Power's expected contribution to Cameco's financial results.

Nuclear Waste Management and Decommissioning

Bruce Power is subject to extensive federal regulation with respect to nuclear waste management. Failure to comply with such regulation could lead to prosecution and could subject Bruce Power to fines and other penalties, including the revocation of operating licences for its nuclear generation facilities. Any release of radioactive material beyond prescribed limits from property leased or occupied by Bruce Power could lead to governmental orders requiring investigation, control and/or remediation of such release and could also lead to claims from third parties for harm caused by such release. Bruce Power incurs substantial costs for nuclear waste management and changes in federal regulation could result in additional costs that could have a material adverse effect on Bruce Power.

The wet bays at Bruce "A" and "B" have limited capacity to store used nuclear fuel. As required by contract with Bruce Power, OPG has commenced the collection of used fuel bundles stored in the wet bays for transport to and storage at OPG's dry storage facility at the Bruce site. OPG has title to all used nuclear fuel bundles in the wet bays. Failure of OPG to continue to provide collection services of adequate quality or in a timely manner or problems associated with the instation modifications to the Bruce "B" wet bays to support the loading of used nuclear fuel bundles into dry storage containers, could have a material adverse effect on Bruce Power.

The occurrence of any of these events could adversely effect Bruce Power's expected contribution to Cameco's financial results.

Competition

Since Market Opening and the subsequent regulation of the retail electricity market, wholesale prices have been volatile. Increased competition from the restart of other wholesale generation at the Pickering nuclear station and from new construction may result in lower wholesale electricity prices. Cameco believes Bruce Power's ability to compete depends upon many factors within and outside its control. There can be no assurance that Bruce Power will be able to compete successfully or that competitive pressure will not have a material adverse effect on Bruce Power and, as result, Bruce Power's expected contribution to Cameco's financial results.

Reliance Upon Transmission Systems

Bruce Power's ability to sell electricity depends on the capacity and reliability of the Ontario electricity transmission system operated by Hydro One under the direction of the IMO and regulated by the OEB and the other North American electricity transmission systems that are connected to the Ontario electricity transmission system. Accordingly, the success of Bruce Power's business is dependent upon the functioning of interconnected electrical transmission systems in North America, Hydro One's operating performance and financial stability, as well as the provincial regulation of Ontario's electricity transmission system. The lack of adequate and reliable electricity transmission capacity would have a material adverse effect on Bruce Power and, as a result, Bruce Power's expected contribution to Cameco's financial results.

Effects of Weather

By the nature of its business, Bruce Power's earnings are sensitive to weather variations from time to time. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements.

Credit Risk

Credit risk is the risk of non-performance by contractual counterparties with respect to payment for services provided. A significant portion of Bruce Power's revenues are derived from sales through the IMO-administered spot market. Participants in the IMO spot market must meet IMO-mandated standards for creditworthiness with the result that Bruce Power's risk for these sales should be effectively managed. To the extent that the credit support

provided by purchasers of power to the IMO is inadequate, all market participants are responsible for any shortfall in proportion to their market activity.

A significant portion of Bruce Power's revenues are derived from the sale of electricity under medium-term and long-term power purchase agreements. As a result, Bruce Power is exposed to credit risk. The purchasers and Bruce Power under such agreements must meet certain standards for creditworthiness and, in certain circumstances, must supply financial assurances as security for non-performance. The requirement of purchasers to provide financial assurances should result in Bruce Power's credit risk for these sales being effectively managed. To the extent that financial assurances provided by such purchasers is inadequate, Bruce Power is subject to credit risk, the occurrence of which could have a material adverse impact on Bruce Power's expected contribution to Cameco's financial results. Bruce Power is likewise obligated, in certain circumstances, to provide financial assurances to such purchasers. Depending on the circumstances, this may burden the credit capacity of Bruce Power and Cameco. Cameco has committed to provide a certain amount of financial assurances to Bruce Power. (see "Overview - *2003 Acquisition*").

Spot Market Electricity Prices

A significant portion of Bruce Power's revenue is tied, either directly or indirectly, to the spot market price for electricity in Ontario. The price of wholesale electricity may vary depending on, among other variables: the availability of generation and transmission systems, economic growth, economic slowdown, seasonal and weather-based variations in electricity demand, the plans and activities of other market participants, the evolution of newly deregulated electricity markets, regulatory decisions in Ontario and neighbouring jurisdictions (including deregulation), the exchange rate for the Canadian dollar and wholesale market trading rules, mechanisms for maintaining adequate generation reserves and the level of competition. Although Bruce Power engages in risk management activities, including trading of electricity and related contracts, to mitigate these risks, there can be no assurance that these activities will be successful. Electricity prices have proven to be extremely volatile at certain times in certain markets.

THE GOLD BUSINESS

Overview

Cameco's gold business consists of mining operations and exploration, which is managed by Cameco Gold Inc. ("CGI"). CGI, with its head office in Toronto, Ontario, was established in 1996 as a wholly owned subsidiary of Cameco.

Cameco's gold producing property is the Kumtor mine in the Kyrgyz Republic. CGI subsidiaries have a one-third (1/3) interest in and operate the Kumtor mine. In October 2003, remediation work was complete and mining of higher-grade ore resumed following the pit wall failure in July 2002. The Kumtor mine produced 677,552 ounces, compared to forecast production of 673,357 ounces.

Cameco's principal gold development property is the Boroo mine in Mongolia. Boroo Gold Company LLC ("BGC"), a 54% CGI indirect owned subsidiary, has developed the Boroo mine. In 2002, CGI indirectly acquired its interest in BGC when it acquired majority control of AGR. The construction of the mine and mill at Boroo was completed on October 31, 2003 and commercial production is expected in the first quarter of 2004, once the commissioning process is complete. All necessary government approvals have been obtained. The capital cost of the project is $75 million (US) including capitalized costs during the pre-production phase. The sustaining capital expenditure budget for 2004 is $7.5 million (US). Production in 2004 is forecast at 210,000 ounces and annual production thereafter is expected to be about 175,000 ounces.

In February 2003, Cameco and Kyrgyzaltyn JSC agreed in principle to restructure the Kumtor mine ownership. The proposed restructuring envisioned that a Cameco subsidiary would hold all of the common shares of KGC, the owner of the Kumtor mine. The restructuring is contingent upon a number of factors including further negotiations leading to final agreements acceptable to Cameco and Kyrgyzaltyn JSC, approvals by third party institutions and a fairness opinion requested by Kyrgyzaltyn JSC.

Notwithstanding the earlier agreements, in January 2004 Cameco announced that Kyrgyzaltyn JSC agreed to transfer all of KGC, the owner of Kumtor gold mine in the Kyrgyz Republic, to a new jointly owned Canadian company called Centerra. In conjunction with its acquisition of KGC and Cameco's other gold assets, Centerra

intends to undertake an initial public offering in Canada. Cameco expects to hold a majority interest in Centerra immediately following the initial public offering.

Cameco subsidiaries will initially hold 67% of Centerra after transferring its one-third interest in KGC together with its other gold-related assets. Kyrgyzaltyn JSC, whose shares are held 100% by the Kyrgyz government, will initially hold 33% of Centerra after transferring its two-thirds interest in KGC. Kyrgyzaltyn JSC has the option to acquire an additional 2% of Centerra from Cameco at a value based on the initial ownership allocation, which may not reflect Centerra's full market value. This option can be exercised for 30 days after Centerra is listed on the Toronto Stock Exchange. If this option is exercised, Cameco's investment will decline to 65% on an undiluted basis.

Initially, Centerra's assets will include the following:

- 100% of KGC, which owns Kumtor gold mine located in Kyrgyz Republic. KGC will relinquish its rights to develop the underground potential if it has not notified the government of its intention to proceed with development two years prior to the end of open pit mining, which is currently scheduled to be completed around 2008;
- 100% of Kumtor Operating Company which operates the Kumtor mine;
- 56% of AGR which owns 95% of the Boroo gold mine that is expected to begin commercial production in the first quarter of 2004 located in Mongolia;
- 62% interest in the REN joint venture, an advanced exploration project located in Nevada, US; and
- 73% interest in the exploration licences for the Gatsuurt exploration property located about 35 kilometers from Boroo in Mongolia.

In addition, about $130 million (US) in loans previously advanced by Cameco subsidiaries to the Kumtor and Boroo gold mines will be contributed by Cameco in exchange for equity in Centerra.

In 2004, production at the Kumtor mine is expected to produce about 610,000 ounces of gold at an average cash cost of approximately $220 (US) per ounce. This unit cash cost includes exploration costs and a management fee. Due to the restructuring of the gold business under Centerra, beginning in 2004 the cash unit operating costs will be adjusted to exclude exploration costs and the management fee. In 2004, production at the Boroo mine is expected to be about 210,000 ounces at an average cash cost of approximately $170 (US) per ounce, excluding exploration costs. There is no management fee associated with the Boroo mine.

Centerra's share of production will be 100% from the Kumtor mine and about 54% from the Boroo mine.

In order to establish Centerra, Cameco and the Kyrgyz government have entered into a series of agreements. The Kyrgyz government has authorized this transaction to proceed by issuing a government decree. Closing is targeted for the second quarter of 2004 and is subject to satisfaction of a number of conditions including:

- consent from a number of third parties, including certain financial institutions;
- Centerra entering into a underwriting agreement for an IPO of Centerra; and
- the conditional listing of Centerra shares on the Toronto Stock Exchange.

Cameco has negotiated a new agreement with the Kyrgyz government to ensure that a stable investment regime will be maintained in Kyrgyz Republic for Centerra. The new agreement will take effect on closing. Centerra will have a 10-year tax stabilization period, during which the application of Kyrgyz tax legislation is not to increase the tax burden on the Kumtor operation. The tax indemnity currently enjoyed by Cameco will not be transferred to Centerra.

Cameco subsidiaries will vote their Centerra shares to support one Kyrgyzaltyn JSC representative provided that Kyrgyzaltyn JSC maintains at least that number of Centerra common shares representing 5.0% of the outstanding common shares of Centerra at the time of closing. For a period of five years following the date of closing of the Kumtor restructuring, for so long as Kyrgyzaltyn JSC is controlled by the government of the Kyrgyz Republic,

Kyrgyzaltyn JSC has agreed to maintain legal and beneficial ownership of at least that number of Centerra common shares representing 5.0% of the outstanding common shares of Centerra at the time of closing.

Cameco's existing guarantees in support of the gold hedging activities at both mines and KGC's senior debt continue while Centerra establishes itself. At December 31, 2003, KGC's senior debt balance was $17 million (US). On that same date, Cameco had provided credit support for KGC and Boroo gold hedges of approximately 480,000 ounces. The mark-to-market exposure under these hedges was about $46 million (US).

With an agreement to create Centerra, an offer is planned to be made to AGR minority shareholders to exchange their AGR shares for Centerra shares.

The price of gold maintained its strength in 2003. As of December 31, 2003, approximately 12% of Cameco's production from existing gold reserves is hedged, including about 30% of 2004 estimated production. The estimated production is hedged at an expected price of $326 (US) per ounce. Cameco intends to reduce its hedge position.

As of December 31, 2003, KGC had in place forward and sales options on 278,300 ounces and AGR had in place forward sales on 200,000 ounces. Cameco's share of these hedge arrangements was 292,800 ounces. During 2003, KGC actively decreased its hedging activity to take advantage of higher spot market prices. As of December 31, 2003, approximately 26% of KGC's 2004 estimated gold production is hedged at an expected price of approximately $337 (US) per ounce. Cameco will participate in price movements to the extent that its share of production is unhedged. For example, if the price of gold declines significantly, Cameco, through its indirect one-third share of ownership of KGC, is exposed to a decline in earnings and a potential loss in its gold business.

Increasing gold prices have the effect of increasing the credit support required under hedge agreement obligations. Cameco has agreed to provide credit support to gold hedge agreement counterparties to mitigate the potential of default. At December 31, 2003, Cameco's maximum financial exposure under these support arrangements was $57 million (US). Cameco's net mark-to-market loss after deducting other partners' interest on these hedge positions amounted to $20 million (US) at December 31, 2003, based upon a spot gold price of $416 (US).

CGI also explores for gold. During 2003, exploration was carried out in the western US, Mongolia and Kyrgyz Republic. In 2004, CGI expects to focus its gold exploration activities in Nevada, Mongolia and Central Asia.

Kumtor - - Gold Producing Property

The Kumtor gold deposit is located in the Kyrgyz Republic. In 1992, Cameco and the Government of the Kyrgyz Republic entered into an agreement to evaluate and develop the Kumtor gold deposit. Cameco, through its wholly owned subsidiaries CGI and Kumtor Mountain Company ("KMC"), holds a 33 1/3% interest in the operation through its interest in the Kyrgyz joint venture company, KGC. Cameco acquired its interest from the Kyrgyz Republic which, through Kyrgyzaltyn JSC (formerly the State Concern Kyrgyzaltyn), holds the other 66 2/3% interest in KGC. Kumtor Operating Company ("KOC"), a wholly owned subsidiary of CGI, acts as operator of the joint venture for which it receives a management fee. The mineral reserve and resource estimates for Kumtor are found at "The Gold Business-Reserves and Resources".

Based upon December 31, 2003 reserve estimates for Kumtor (100% basis), Cameco expects that the Kumtor deposit will be depleted no earlier than 2008. In 2002, Cameco received payback of its capital invested.

Property Description and Environment

KGC has a mining licence over an area of approximately 800 hectares of land centered on the Kumtor deposit. In addition, the joint venture has secured a mining lease over an area of approximately 10,000 hectares in the vicinity of the Kumtor deposit. This is referred to as the Mining Lease Territory and provides the joint venture with sufficient surface area for the plant, tailings disposal area and all other facilities supporting the mining operation, ore processing and waste rock disposal. The term of KGC's mineral and surface rights for the Kumtor deposit extend beyond 2008, the year when mining is expected to be completed. KGC has all necessary material permits to conduct mining and milling operations at Kumtor. All mineral resources and reserves are part of the Kumtor gold deposit that has been mined by open pit since 1997.

KGC has committed to operate the Kumtor mine in accordance with Canadian, Saskatchewan and applicable Kyrgyz laws and regulations and the Environment Action Plan ("EMAP") for the mine as well as sound international mining practices.

KGC estimates its future decommissioning and reclamation costs for the Kumtor mine to be $20.4 million (US) in current dollars. These estimates were last reviewed by KGC technical personnel in 1999 and are intended to be updated in 2004. In 1998, a reclamation trust fund (the "fund") was established to cover the future costs of reclamation, net of expected salvage value which was estimated, in 1999, at $14.9 million (US). In order to fund the remaining $5.5 million (US), contributions are made to the fund over the life of the mine on a unit of production method. At December 31, 2003, the balance in the fund was $3.7 million (US), with the remaining $1.8 million (US) to be contributed over the life of the mine.

The site consists of an open pit mine situated at approximately 4,000 metres above sea level along the northwestern slopes of the Akshirak Ridge in the interior of the Tien-Shan Mountains. The mine includes waste and ore stockpile areas as well as an area to dispose of the ice stripped from the top of the deposit. There is a crusher and a mill. Other major facilities include a fresh water system, a camp/residence for the employees on site, a warehouse, shops, offices, a batch plant, several standby diesel generators, and a tailing management facility ("TMF"). An airstrip is 6 kilometres northwest of the open pit.

The TMF is located in the Kumtor river valley. Tails are deposited in this facility via a seven-kilometre pipeline from the mill. In 2001, an additional pipeline was added, twinning the existing one. The tailings dam was designed and constructed to address the permafrost conditions at the minesite. Stored behind the tailings dam are 18.9 million cubic metres of tailings sands and process water. A series of diversion ditches prevent runoff and natural watercourses from entering the tailings basin. The toe of the tailing dam is built on permafrost and a 500 metre section of the 2 kilometre dam has shown movement along an ice rich silt layer. This layer was removed in early 2003 and a shear key was constructed. The analysis carried out by an independent consultant showed that the shear key would eventually stop the movement of the dam. The analysis carried out by the Kyrgyz Institute of Rock Mechanics indicated that the shear key would bring the dam into compliance with Kyrgyz regulations regarding seismic loading.

The TMF and the effluent treatment plant ("ETP") were commissioned in 1999, with government approval for the ETP obtained in June and for the TMF in December 1999. The treatment plant has been effectively controlling the amount of free water accumulated in the tailings pond. Addition of a second tailings line between the mill and tailings pond has reduced the frequency of minor tailings line releases into secondary containment by providing better line maintenance planning and reduced mill downtime during tailings line maintenance and repair.

Site accessibility, infrastructure and physiography

The site is located near the headwaters of the Kumtor River. It is accessible by an all-weather road constructed in the Ara-Bel-Su valley. Employees are bussed to the mine site from Bishkek and the Issyk-Kul region. Supplies are transported by rail up to Balykchy at the west end of Issyk-Kul Lake and then trucked to the minesite. The industrial and potable fresh water is pumped from Petrov Lake, approximately five kilometres northeast of the mill site. The glacial lake has sufficient water available year around to supply all the anticipated need of the operations. The site is connected to the power grid of the Kyrgyz Republic. Most employees are native to Kyrgyz Republic.

The terrain is alpine glaciated with broad flat valleys and moraine mounds along the valley walls. The climate is continental in a zone of permafrost and active glaciers. Vegetation is predominant on the valley floors and sparse on the elevated benches and mountain slopes. Despite cold winter conditions, Kumtor is a 365 day-per-year operation.

History and Financing

Although the Kumtor area has a history of intermittent exploration dating to the late 1920's, the actual discovery of the deposit was made in the summer of 1978 in the course of a general survey. Intensive exploration, adit sampling, drilling and geological interpretation work took place between 1979 and 1989. In 1992, Cameco and the government of the Kyrgyz Republic entered into an agreement to evaluate and develop the deposit. KOC retained Kilborn Western Inc., presently SNC Lavalin, to prepare a feasibility study which was submitted in November 1993.

Construction and development began in 1994 and was completed in early 1997 at a cost of approximately $450 million (US). Commercial production commenced on May 1, 1997 and more than 502,000 ounces were produced during that year.

As an equity investment, Cameco provided the first $45 million (US) of development costs for the project. Additionally, Cameco provided a $107 million (US) subordinated loan to KGC, $61 million (US) of which was outstanding at December 31, 2003.

A consortium of financial institutions advanced $285 million (US) in senior and subordinated loans to the project ("the third party loans"). The third party loans consisted of a senior debt component of $265 million (US) and a third party subordinated debt component of $20 million (US). As of December 31, 2003, payments of $248 million (US) on the senior debt had been made and $17 million (US) of senior debt (US) and $20 million (US) of subordinated third party debt was outstanding.

In April 2002, KGC's senior loan was restructured and resulted in the extension of the term of repayment to June 1, 2006 and the replacement of non-commercial lenders as senior lenders. In November 2002, the senior lenders agreed to defer December 2002 and June 2003 semi-annual principal payments until the period December 2004 to June 2006. An offshore debt reserve account and the shares of KGC secure the senior debt. Pursuant to the revised lending agreements, a principal payment of $60 million (US) was made in December 2003.

The third party loans are a direct obligation of KGC. However, under the terms of the financing agreements, Cameco has agreed to guarantee the payment of all amounts of principal and interest that become due in respect of the senior debt. Cameco has purchased political risk insurance that entitles it to seek full reimbursement from the insurers if Cameco is required to pay on the guarantee due to a political risk event in the Kyrgyz Republic. Cameco has also purchased political risk insurance that covers 90% of the carrying value of its subordinated loan to KGC and 90% of the carrying value of its equity contribution to the project.

Geology and Mineralization

Two major fault zones delineate the local structural setting of the Kumtor area. The first structure is the Nikolaev Lineament which marks the boundary between the rocks affected by the Caledonian orogen to the west and by the Hercynian orogen. The Kumtor Fault zone, which is parallel to and east of the lineament with a traced strike length of more than 50 kilometres and variable widths up to 400 metres, is the second major structural setting.

The Kumtor deposit is in the zone of sheared, brecciated and hydrothermally altered Precambrian metasediments just south and sub parallel to the Kumtor Fault zone. The southeast dipping zone of alteration and mineralization has a strike length of 1,250 metres, near surface widths up to 400 metres and depths up to 1,000 metres.

Exploration, Sampling and Analysis

The exploration work, performed by predecessors of KGC, resulted in the collection of 69,775 samples of which 37,075 were channel samples. The trenches provided 7,250 samples and adits one, two and four provided 14,300, 10,665 and 4,860 samples respectively. The drill core samples totaled 32,700. A total of 22,100 channel samples and 16,900 core samples were used in the evaluation of the reserves by the Soviets.

The results of the investigative work were compiled in a geological report titled "Results of Detailed Exploration of the Kumtor Gold Deposit" issued in 1989. This report included the evaluation of the reserves. It was prepared by the Ministry of Geology of the Union of Soviet Socialist Republics (USSR) and approved by the General Director of Kyrgyz Geology and the Deputy General Director, Chief Geologist of Kyrgyz Geology in his capacity as head of the Uchkoshkon Geological Expedition.

Late in 1992, Kilborn Western Inc. was commissioned to prepare a feasibility study to evaluate and develop the Kumtor deposit. An integral part of the evaluation process was data validation comprising assaying of the original sample rejects, recalculation of the reserves and resources, underground geological and geotechnical remapping and resampling of parts of the higher mineralization grade zones and process testwork of original and fresh metallurgical samples. The recalculation of the reserves and the resources were carried out by Geostat Systems International based on geostatistical methods employing three-dimensional block modelling and kriging to the 3,668 metres elevation in the deposit.

In 1998-2001, additional drilling was carried out by KOC in the planned open pit area as well as at depth to evaluate certain areas of the orebody. Some 121 holes were drilled, assayed with additional check sampling and incorporated into the original data bank.

Cameco's mining resources department and KOC personnel conducted a reinterpretation of the orebody and a new reserve model was created, providing the base for a new life-of-mine plan. This reserve model is regularly compared to the actual mine production. After seven years of mining, the number of mined ounces is consistent with expectations based upon the new model.

In 2002-2003, additional drilling was carried out by KOC in the planned open pit area to further evaluate the orebody. Drilling was also performed in the Southwest Zone and Sarytor exploration areas. In the present open pit area 60 holes were drilled totaling 16,468 metres, assayed with additional check sampling and incorporated into the original databank. A new reserve/resource model, taking into account the additional drilling and mining results, is currently in preparation. In the satellite Southwest Zone and Sarytor exploration areas, a total of 80 holes were drilled, totaling 13,189 metres, assayed with additional check sampling and incorporated into the original exploration databank.

KOC has developed and implemented procedures for quality control, data verification and sampling which it believes will assure the integrity of information resulting from its drilling activities at Kumtor.

Mining

Total mine production in 2003 was 27.5 million bench cubic metres, a 39.6% increase over the previous year. Ore was delivered to the mill at an average rate of 15,428 tonnes per day. The average strip ratio was 12.8, requiring an average mining rate of 212,900 tonnes per day. The mill feed grade in 2003 was approximately 4.54 grams per tonne, 22.2% higher than the 3.71 grams per tonne delivered to the mill in 2002. (see *"2002 Pit Wall Failure"*).

The Kumtor deposit is developed using conventional open pit mining methods. Initially, part of the orebody was overlaid by a glacial icecap 10-30 metres thick. This icecap was removed during the first three years of operation. Now mining is focused on ore extraction and removal of the surrounding waste rock. Operations began at the 4,300 metre elevation in 1996. Presently, mining is conducted between the 4,100 and 3,950 metre elevations.

Mining benches are 8 metres in height with 3 to 4 benches under development at any given time. Drilling is performed by six rotary-percussion blasthole drill rigs. Holes are drilled on a nominal 5.5 metre x 5.5 metre pattern. 400-500 holes are shot daily using bulk ANFO and emulsion explosives.

Six hydraulic shovels and four front-end loaders load a fleet of thirty-one haul trucks. The location of the ore and waste rock is determined by assaying drillhole cuttings. Boundaries between material-types are surveyed in and digging is supervised by KGC engineering staff to ensure that ore and waste rock are separated correctly. All mine equipment is monitored by a computer-controlled dispatch system.

Milling

The Kumtor mill consists of a nominal 15,500 tonne per day conventional plant, using pyrite flotation and carbon in-leach (CIL) in the process where both the reground pyrite concentrate and the flotation tails are leached in separate circuits. The grinding circuit consists of a semiautogenous mill, a pebble crusher, a ball mill and a regrind mill. High rate thickeners reclaim as much water as possible from the flotation concentrate, flotation tails feed, reground flotation concentrate CIL feed and final tails. In 2003, gold recoveries increased to 82.63% from 78.13% in 2002 due to the processing of less refractory ore.

In 2003, 677,552 ounces of gold were poured compared to 528,550 ounces in 2002. Gold production is expected to decrease to about 610,000 ounces in 2004. Approximately 4,386,771 ounces of gold have been poured from startup in 1997 until December 31, 2003. All economic ore is forecast to be milled by 2008.

The cash cost per ounce in 2003 was approximately $199 (US) calculated in accordance with the standards of The Gold Institute. The cash cost per ounce in 2002 was $216 (US).

2002 Pit Wall Failure

On July 8, 2002, a pit wall failure occurred at the Kumtor mine, resulting in the temporary suspension of operations. Mine production resumed on July 15, 2002 in an area away from the pit wall failure. A Kyrgyz national employee of KOC died as a result of a rockslide. The rockslide involved approximately 7.5 million tonnes of rock. Cameco's 2002 net earnings were reduced by approximately $27 million as a result of the pit wall failure. No allowance was made in 2003 for possible proceeds from insurance.

Technical experts were assembled to assess pit wall stability in the rockslide area as well as options for accessing this ore zone. The information gathered was used to analyze and assess the revised pit wall slope configurations and develop a revised mining plan. The revised mining plan provides for greater stability and better access to high-grade ore. A geo-technical drilling program was designed and initiated to provide further information on the July 2002,

rockslide. This information was also used to finalize the design of the pit slopes for the revised mining plan. In addition, revisions were made to the monitoring system and equipment to provide a good degree of "real time" warning should there be further movement. However, the technical experts were unable to come to a conclusive determination as to the reasons for the pit wall failure.

The pit wall failure resulted in a significant revision to the mining plan, including the postponement of mining higher-grade ore. KGC has been milling lower grade ore and achieving lower recovery rates as a consequence. As a result, gold production at Kumtor in 2002 was 528,550 ounces. Prior to the pit wall failure, Kumtor was forecast to produce 700,000 ounces. For the second half of 2003, the average mill feed grade rose to about 5.6 g/t. Production at Kumtor during 2003 was 677,552 ounces at an average feed grade of 4.5 g/t.

Kumtor Resource and Reserve Estimates

The mineral reserve and resource estimates for Kumtor are found at "The Gold Business-Reserves and Resources". The key assumptions, parameters and methods used in making these estimates are:

1. Key Assumptions

    - the reserves reported include allowances for dilution and mining recovery.

2. Key Parameters

    - gold values were obtained from assaying of surface trenches and underground working samples as well as from drill hole cores;
    - cutting of high grade samples was established at 60 grams gold per tonne;
    - density was measured on 200 samples and ranged from 2.51 to 3.23 tonnes per cubic metre. An average density of 2.85 tonnes per cubic metre is used for waste and mineralized rocks;
    - design of current ultimate pit is based on $300 (US) per ounce of gold;
    - reserves at Kumtor are not only based on grades but also on the volume and location; and
    - reserves within the current ultimate pit design were calculated with a cutoff grade based on a gold price of $350 (US) per ounce.

3. Key Methods

    - the geological interpretation of the orebody outlines was done on vertical sections 40 metres apart and on planviews at 24 metre spacing;
    - a three-dimensional block model delineates the reserves and resources;
    - estimates of the grade of blocks 10 metres x 10 metres x 8 metres were obtained by ordinary kriging; and
    - reserves are defined as the economically mineable part of the indicated and measured resources. Only reserves have demonstrated economic viability. The amount of reported resources does not include amounts identified as reserves.

Although Cameco believes Kumtor reserve and resource estimates are unlikely to be materially affected by external factors, such as metallurgical, safety and environmental, permitting, legal, title, taxation and political issues, there can be no assurance that they will not be. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drillings, testing and production, as well as a material change in the gold price, subsequent to the date of the estimate, may justify revisions of such estimates.

Other Kumtor Information

All gold produced by the Kumtor mine is purchased by Kyrgyzaltyn JSC, the owner of 66 2/3% of KGC, for reprocessing at its refinery in the Kyrgyz Republic. KGC uses derivative financial instruments to mitigate the price risk on a portion of future gold production. See "Gold Business-Risk Factors-Volatility and Sensitivity to Prices."

The Kyrgyz tax regime applicable to the Kumtor operation is governed by an agreement between Cameco, Kyrgyzaltyn JSC and the Kyrgyz government.

There are currently no material development activities planned for the Kumtor operation.

Boroo - Gold Development Property

BGC, about a 54% CGI indirect owned subsidiary, has developed the Boroo mine in Mongolia. The Boroo mine achieved commercial production effective March 1, 2004, with expected production of about 210,000 ounces in 2004.

On March 5, 2002, CGI acquired a 52% interest in AGR, a British Virgin Islands company, for $12 million (US) cash and issuance of a $4.8 million (US) promissory note. AGR indirectly owns 95% of BGC, a Mongolian entity. A Mongolian entity indirectly owns the remaining 5% of BGC. BGC has the rights to the Boroo gold deposit located in Mongolia.

Subsequent to the acquisition, CGI increased its interest in AGR to 56% by financing $3 million (US) of further exploration on Boroo and Gatsuurt. The promissory note was satisfied by CGI transferring to AGR 61% of a subsidiary that owns 100% of Cameco Gold Mongolia LLC, which has rights to the Gatsuurt exploration property in Mongolia.

The Boroo open pit mine and mill construction was completed on October 31, 2003 and achieved commercial production effective March 1, 2004. The project budget to reach commercial production remains at $75 million (US), an increase of $35 million (US) from the original estimate of $40 million (US). About half the increase relates to change in the operating plan from a contractor-supplied and operated mine equipment and shop facilities fleet to one in which BGC purchases the fleet and carries out maintenance. The remainder of the capital cost increase is due to improvements in the processing facilities. About 97% of the capital budget was spent to the end of December 2003. A CGI subsidiary is funding the construction of the Boroo open pit mine and mill through a loan which bears interest at LIBOR plus 4% and reduces to LIBOR plus 3.5% after commercial production is declared.

The 2004 BGC budget includes sustaining capital of $7.5 million (US).

At December 31, 2003, AGR's hedge position was 200,000 ounces, which is expected to yield an average price of approximately $315 (US) per ounce.

CGI estimates that the future decommissioning and reclamation costs for the Boroo mine to be approximately $3 million (US) in current dollars. Periodic contributions to an escrow account are planned to cover this future liability.

A stability agreement has been entered into with Mongolian government. It expires in 2013. Among other things, the stability agreement provides for:

- Mongolian tax laws in effect in 1998 when the agreement was signed will govern, unless laws more favorable take effect;
- a three-year income tax exemption from the commencement of production, a 20% income tax rate for the following three years and a 40% income tax rate thereafter; the income tax law has been revised effective January 1, 2004 whereby the rate following the initial 3 year tax free period will now be 15% for the following three years and 30% thereafter;
- gold may be freely exported, without the application of value added tax or export charges;
- the payment of a 2.5% net smelter royalty to the Mongolian government;
- any value added tax obligations may be offset against any income tax (both personal and corporate) withholding tax and the royalty payable;
- all proceeds resulting from gold sales may be deposited in an offshore account, provided sufficient funds are deposited in a commercial bank in Mongolia to cover fiscal obligations to the Mongolian government; and
- the Mongolian government may not expropriate BGC assets.

BGC signed a dore gold refining contract with Johnson Mathey plc (JM) dated as of December 1, 2003. Under that contract, BGC agrees to deliver to JM, for processing at its facility in the United Kingdom, 100% of the production from the Boroo mine. The contract expires on December 31, 2005. BGC made its first delivery under the contract in January 2004.

AGR intends to pursue political risk insurance for its investment in Boroo.

Reserves and Resources (1)

Reserve and resource estimates for Cameco's gold properties as presented in this Annual Information Form were prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Alain Gaston Mainville, Geologist and Professional Geoscientist, who is Manager, Mining Resources and Methods at Cameco	Kumtor
Rob Chapman, Geologist and Professional Geoscientist, who is Vice-President, Exploration at Cameco Gold Inc.	Boroo

Cameco's reserve and resource estimates are obtained from internally generated data or audit reports. Cameco's gold reserves and resources are located in the Kyrgyz Republic and Mongolia.

The following table shows the estimated gold reserves and resources as at December 31, 2003 on a property basis and Cameco's share. The amount of reported resources does not include those amounts identified as reserves.

	PROVEN (100% interest)			PROBABLE (100% interest)			TOTAL RESERVES (100% interest)				
	Tonnes	Grade g/t Au	Content Ounces Au	Tonnes	Grade g/t Au	Content Ounces Au	Tonnes	Grade g/t Au	Content Ounces Au	Cameco's Share Ounces Au	Mining Method(2)
	(tonnes and ounces in thousands)										
PROPERTY											
Kumtor Gold	18,539.0	3.41	2,032.0	6,765.0	3.50	761.0	25,304.0	3.43	2,793.0	931.0	OP
Boroo	—	—	—	10,175.0	3.52	1,153.0	10,175.0	3.52	1,153.0	617.0	OP
Total	18,539.0	3.41	2,032.0	16,940.0	3.51	1,914.0	35,479.0	3.46	3,946.0	1,548.0	

	MEASURED (100% interest)			INDICATED (100% interest)			MEASURED AND INDICATED RESOURCES (100% interest)				
	Tonnes	Grade g/t Au	Content Ounces Au	Tonnes	Grade g/t Au	Content Ounces Au	Tonnes	Grade g/t Au	Content Ounces Au	Cameco's Share Ounces Au	Mining Method(2)
	(tonnes and ounces in thousands)										
PROPERTY											
Kumtor Gold	5,394.0	3.59	622.0	6,829.0	4.75	1,043.0	12,223.0	4.24	1,665.0	555.0	OP
Boroo	—	—	—	3,387.0	2.09	228.0	3,387.0	2.09	228.0	122.0	OP
Total	5,394.0	3.59	622.0	10,216.0	3.87	1,271.0	15,610.0	3.77	1,893.0	677.0	

	INFERRED RESOURCES (100% interest)				
	Tonnes	Grade g/t Au	Content Ounces Au	Cameco's Share Ounces Au	Mining Method(2)
	(tonnes and ounces in thousands)				
PROPERTY					
Kumtor Gold	5,773.0	3.90	723.0	241.0	OP& UG
Boroo	—	—	—	—	OP
Total	5,773.0	3.90	723.0	241.0	

Notes:

(1) Cameco reports reserves and resources separately.

(2) Mining Method: OP – Open Pit; UG – Underground.

Gold Reserve and Resource Reconciliation

The following reconciliation of Cameco's share of gold reserves and resources reflects the changes in gold reserves and resources during 2003. The 2003 additions and deletions at Kumtor and Boroo result from mining and milling and additional information provided by mining experience, drilling results analysis and reclassifications.

Reconciliation of Cameco's Share of Gold Reserves and Resources
(in thousands of ounces Au)

	December 31 2002	2003 Throughput (1)	2003 Addition (Deletion)		December 31, 2003
Reserves – Proven					
Kumtor Gold	1,127.0	(270.0)	(180.0)	(2)	677.0
Total Proven Reserves	1,127.0	(270.0)	(180.0)		677.0
Reserves - Probable					
Boroo	606.0	(6.0)	17.0	(2)	617.0
Kumtor Gold	24.0	—	23.0	(2)	254.0
Total Proven Reserves	630.0	(6.0)	247.0		871.0
Total Reserves	1,757.0	(276.0)	67.0		1,548.0
Resources – Measured					
Kumtor Gold	0	0	207.0	(2)	207.0
Total Measured Resources	0	0	207.0		207.0
Resources - Indicated					
Boroo	236.0	—	(114.0)	(2)	122.0
Kumtor Gold	0	—	348.0	(2)	348.0
Total Indicated Resources	236.0	—	234.0		470.0
Total Measured and Indicated Resources	236.0	0	441.0		677.0
Resources - Inferred					
Boroo	326.0	—	(326.0)	(2)	0
Kumtor Gold	606.0	—	(365.0)	(2)	241.0
Total Inferred Resources	932.0	0	(691.0)		241.0

Notes:

(1) Corresponds to millfeed. The discrepancy between the 2003 millfeed and Cameco's share of 2003 ounces produced is due to mill recovery and the processing of low grade material.

(2) Change in reserves or resources, as applicable, include reassessment of geological data, results of information provided by mining and milling, and subsequent re-classification of reserves or resources, as applicable.

Legal Proceedings

An action was commenced during 1997 in a Canadian court by certain dependants of nine persons against the Company, CGI, KOC and certain other parties seeking damages, in the amount of $20,700,000 including punitive damages, plus interest and costs in connection with the death of the said nine persons in a helicopter accident in Kyrgyz Republic on October 4, 1995. This action is being defended by the insurers of the Company.

Regulatory Compliance

Pursuant to the financing agreements related to the Kumtor gold project, the project participants agreed that all construction, development and, once in operation, production activities related to the project must be conducted in accordance with Canadian, Saskatchewan, and applicable Kyrgyz laws and regulations and the accepted Environmental Management Action Plan for the project as well as sound international mining practices. Modifications to the original, pre-operational Environmental Management Action Plan have been approved by appropriate external parties.

The Boroo Gold Project has been built to meet Australian, Mongolian and World Bank environmental standards in respect to construction and development and once in operation will be managed to comply with Mongolian and World Bank environmental standards. In respect to construction, the Boroo Plant and Facilities have been reviewed and accepted by the Republic of Mongolia and an Act of Final Acceptance by the State Acceptance committee has been issued to provide BGC with the right to start exploration of the deposit. The 2004 Environmental Protection Plan, Environmental Management Plan and Mining Plan have been approved by the appropriate Mongolian authorities.

Employees

KOC had approximately 92 expatriate and 1,504 national employees at December 31, 2003.

BGC has approximately 36 expatriate and 324 national employees at December 31, 2003.

Risk Factors

The following information pertains to the outlook and conditions currently known to the Company which could have a material impact on the financial condition of the Company. This information, by its nature, is not all inclusive. It is not a guarantee that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis (Appendix "B"). As the context requires for the following information, the reference to Company or Cameco also includes Cameco's direct and indirect subsidiaries.

Volatility and Sensitivity to Gold Prices

The Company's share of revenue from its gold business is largely dependent on the world market price of gold. The gold price is subject to volatile price movements over time and is affected by numerous factors beyond the Company's control. Such factors include, among others: global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the US dollar; market speculative activities; and global or regional political and economic events.

Fluctuation in gold prices is illustrated by the following table which sets forth for the periods indicated the average closing gold prices in United States dollars per ounce.

	Average London PM Fix (US$)									
	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
US$ Average	384	384	388	331	294	279	279	271	310	363

On March 1, 2004 the closing price of gold on the London market (PM Fix) was $400 (US) per ounce.

If the market price for gold falls and remains below variable production costs of a Cameco subsidiary's mining operations for a sustained period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of mining activities. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut off grade and level of its gold reserves and resources. The Company would have to assess the impact of such an environment on any outstanding guarantees related to its gold activities.

AGR and KGC hedge the price risk for future gold sales. AGR and KGC use derivative financial instruments such as forward sales contracts and collars (matched puts and calls) to mitigate the price risk on a portion of future gold production. AGR and KGC uses these instruments for hedging purposes and do not hold or issue derivative financial instruments for trading purposes. The mix of instruments and the amounts change from time to time with changes in pricing, market conditions and hedging strategies.

Cameco has agreed to provide credit support to KGC's and AGR's counterparties, subject to stipulated per ounce limits, in order to mitigate the potential of default by these companies. At year-end 2003, based upon the number of ounces hedged and the stipulated per ounce limits, Cameco had a maximum financial exposure under its support arrangements of $57 million (US). Cameco's net mark-to-market loss after deducting other partners' interests on these hedge positions amounted to $20 million (US) at December 31, 2003, based upon a spot gold price of $416 (US). As the gold price rises, Cameco may need to increase the stipulated per ounce limits. For a summary of the Company's share of future gold sale and delivery commitments, see Note 25 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2003.

The extent of future gold price hedging by AGR and KGC will depend upon its assessment of gold market factors and other conditions. Although AGR and KGC utilize hedging programs to mitigate the price risk on a portion of future gold production, there can be no assurance that such programs will be successful.

Replacement of Reserves

In 2003, the Kumtor mine was the Company's sole source of gold production, albeit indirectly through its indirect 1/3 equity ownership of KGC. The Boroo mine achieved commercial production effective March 1, 2004. Unless other reserves are discovered or extension to the existing orebodies are found, the Company's total gold reserves will decrease as reserves at Kumtor and Boroo are depleted.

Decommissioning and Reclamation

KGC's decommissioning and reclamation plan for the Kumtor mine was last updated in 1999. KGC estimates future decommissioning and reclamation costs to be approximately $20 million (US). To cover this future liability, a reclamation trust fund was established in 1998 to which contributions are made annually. BGC's decommissioning and reclamation plan for the Boroo mine estimates future decommissioning and reclamation costs to be approximately $3 million (US). Periodic contributions to an escrow account are planned to cover this future liability. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

COMMON RISK FACTORS – URANIUM AND GOLD

In addition to the risk factors referred to under "Nuclear Business-Risk Factors" and "Gold Business-Risk Factors", there are certain risks which are generally applicable to both the uranium and gold mining industries, as outlined in the following. The risks discussed here are not all inclusive. No guarantee is provided that other factors will not affect the Company in the future. This discussion should be read in conjunction with material in other sections of this Annual Information Form, including Management's Discussion and Analysis (Appendix "B"). As the context requires for the following information, reference to the Company or Cameco also includes Cameco's direct and indirect subsidiaries.

Imprecision of Reserve and Resource Estimates

Reserve and resource figures included for uranium and gold are estimates and no assurances can be given that the indicated levels of uranium and gold will be produced or that Cameco will receive the gold price and uranium price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the reserve and resource estimates included are well established and reflects management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in uranium and gold, as well as increased capital or production costs or reduced recovery rates, may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

Production Estimates

Cameco prepares estimates of future production for particular operations. No assurance can be given that production estimates will be achieved. Failure to achieve production estimates could have an adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition. These production estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing.

Cameco's actual production may vary from estimates for a variety of reasons, including, among others: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes.

Mining, Refining and Conversion Risks and Insurance

Cameco's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, blockades, changes in the regulatory environment, natural phenomena (such as inclement weather conditions earthquakes, pit wall failures,

cave-ins, adverse mining conditions and underground flooding) and encountering unusual or unexpected geological conditions. The Company also contracts for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America and Europe, which exposes the Company to transportation risks. Many of the foregoing risks and hazards could result in damage to, or destruction of, the Company's mineral properties or refining or conversion facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from the Company's mines or refining or conversion facilities or in its exploration or development activities, delay in or inability to receive regulatory approvals to transport its uranium and uranium products, or costs, monetary losses and potential legal liability and adverse governmental action. In addition, due to the radioactive nature of the materials handled in uranium mining, refining, conversion and transport, additional costs and risks are incurred by the Company on a regular and ongoing basis.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, such insurance may not provide adequate coverage in the event of certain circumstances. No assurance can be given that such insurance will continue to be available or it will be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

The Company may be subject to liability or sustain loss for certain risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to Cameco.

Nature of Exploration and Development

Exploration for and development of mineral properties involve significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting uranium and gold from ore. It is impossible to ensure that the current exploration and development programs of the Company will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves.

Cameco's ability to sustain or increase its present levels of uranium and gold production is dependent in part on the successful development of new orebodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including, among others: the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs of such projects; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, and environmental protection; and uranium and gold prices, which are highly cyclical. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Cameco's estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Cameco also conducts feasibility studies which derive estimates of capital and operating costs based upon many factors, including, among others: anticipated tonnage and grades of ore to be mined and processed; the configuration of the orebody; ground and mining conditions; expected recovery rates of the gold and uranium from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from Cameco's best estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated.

Governmental Regulation and Policy Risks

Mining and refining operations and exploration activities, particularly uranium mining, refining, conversion and transport in Canada and the United States, are subject to extensive laws and regulations. Such regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mines decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing, constructing, operating and closing the Company's mines and refining and other facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact the Company's decision as to whether to operate existing mines, ore refining and other facilities or, with respect to exploration and development properties, whether

to proceed with exploration or development. The Company expends significant financial and managerial resources to comply with such laws and regulations. Cameco anticipates it will have to continue to do so as the historic trend toward stricter government regulation will likely continue. Because legal requirements are frequently changing and subject to interpretation, Cameco is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, future changes in governments, regulations and policies, such as those affecting the Company's mining operations, uranium refining and conversion operations, and uranium transport, could materially and adversely affect the Company's results of operations and financial condition in a particular period or its long term business prospects.

Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies. The development of mines and related facilities is contingent upon governmental approvals, licences and permits which are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The receipt, duration and renewal of such approvals, licences and permits are subject to many variables outside the Company's control, including potential legal challenges from various stakeholders such as environmental groups, non-government organizations or first nations claiming certain rights with respect to traditional lands. Any significant delays in obtaining or renewing such approvals, licences or permits could have a material adverse effect on the Company.

Environmental Risks

The Company has expended significant financial and managerial resources to comply with environmental protection laws, regulations and permitting requirements, and anticipates that it will be required to continue to do so in the future as the historical trend toward stricter environmental regulation will likely continue. The uranium industry is subject to not only the worker health, safety and environmental risks associated with all mining businesses, including potential liabilities to third parties for environmental damage, but also to additional risks uniquely associated with uranium mining and processing. The possibility of more stringent regulations exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining, milling, refining and conversion sites, and other environmental matters each of which could have a material adverse effect on the costs or the viability of a particular project.

The Company's domestic and foreign facilities operate under various operating and environmental permits, licences and approvals that contain conditions that must be met and the Company's right to continue operating its facilities is, in a number of instances, dependent upon compliance with such conditions. Failure to meet any such condition could have a material adverse affect on the Company's financial condition or results of operations.

Counterparty/Credit Risk

AGR and KGC engage in transactions to mitigate the price risk on a portion of future gold production (see "Gold Business-Risk Factors-Volatility and Sensitivity to Gold Prices") and Cameco enters into transactions to reduce the impact of fluctuations in currency exchange rates. These transactions expose the Company to the risk of default by the counterparties to such contracts. The Company manages this risk of default, or credit risk, by dealing only with financial institutions that meet its credit rating standards and by limiting exposures with individual counterparties.

In addition, Cameco's sales of uranium product and conversion services expose the Company to the risk of non-payment. The Company manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or other forms of payment security from customers with an unacceptable level of credit risk. As of December 31, 2003, 3% of Cameco forecast revenue under contract, for the period 2004 to 2006, is with customers whose creditworthiness does not meet Cameco's standards for unsecured payment terms.

Although the Company seeks to manage its credit risk exposure, there can be no assurance that the Company will be successful.

Currency Fluctuations

The Company's earnings and operating cash flow may also be affected by changes in the US/Canadian dollar exchange rate since most of its revenues are denominated in US dollars and many of its costs are denominated in Canadian dollars. Although the Company utilizes a hedging program to manage its exchange rate exposure, there can be no assurance that such a program will be successful.

Political Risk

See the Company's Management's Discussion and Analysis attached as Appendix "B".

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The selected consolidated financial and operating information presented below should be read in conjunction with Management's Discussion and Analysis and the Company's Consolidated Financial Statements for the year ended December 31, 2003, notes thereto and other financial information included elsewhere in this Annual Information Form.

Year Ended December 31,

(in millions except per common share amounts)	2003	2002 (restated)	2001 (restated)
Total Revenue	$ 826.95	$ 748.33	$ 700.84
Earnings from operations	$ 88.25	$ 84.37	$ 94.90
Net earnings (loss)	$ 204.69	$ 43.52	$ 56.09
- per common share (basic)	$ 3.65	$ 0.78	$ 1.01
Cash provided by operations	$ 245.89	$ 250.84	$ 116.25
Total Assets	$3,359.41	$2,967.82	$2,968.70
Long term debt not maturing within one year	$ 238.71	$ 218.30	$ 327.77
Cash dividends declared per common share	$ 0.60	$ 0.50	$ 0.50

2003 CONSOLIDATED FINANCIAL STATEMENTS

The Company's 2003 Consolidated Financial Statements are attached as Appendix "A".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's Management's Discussion and Analysis is attached as Appendix "B".

MARKET FOR SECURITIES

The Company's common shares are listed and traded on The Toronto Stock Exchange (CCO) and the New York Stock Exchange (CCJ).

Also listed and traded on The Toronto Stock Exchange are the Company's 5% Convertible Subordinated Debentures due October 1, 2013 (CCO.DB).

Also listed and traded on the New York Stock Exchange are the Company's 8.75% Preferred Securities (CCJPR), a series of junior subordinated debentures which are due in 2047.

The registrar and transfer agent for the Company' common shares and 5% Convertible Subordinated Debentures is CIBC Mellon Trust Company through its offices at 320 Bay Street, P.O. Box 1, Toronto, Ontario M5H 4A6.

DIRECTORS AND OFFICERS

Directors Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since (1)
JOHN S. AUSTON (2, 6) West Vancouver, British Columbia	Geologist; Corporate Director, 2000 to present; prior:President, Director and Chief Executive Officer, Ashton Mining of Canada Inc. 1996-2000.	1999
JOE F. COLVIN(2, 4, 6) Kiawah Island, South Carolina U.S.A.	President and Chief Executive Officer, Nuclear Energy Institute 1996 to present; prior: Executive Vice-President and Chief Operating Officer, Nuclear Energy Institute Inc. 1994 to 1996.	1999
HARRY D. COOK (4) La Ronge, Saskatchewan	Chief, Lac La Ronge Indian Band, 1987 to present; President, Kitsaski Management Limited Partnership, Prince Albert Grand Council Executive Board Member, Federation of Saskatchewan Indian Nations Taxation Commission Board Member and Indian Government Commission member.	1992
JAMES R. CURTISS(4, 5) Brookeville, Maryland, U.S.A.	Lawyer, Partner, Winston & Strawn, 1993 to present; prior: Commissioner US Nuclear Regulatory Commission 1988-1993.	1994
GEORGE S. DEMBROSKI(2, 5, 6) Toronto, Ontario	Corporate Director, 1998 to present; prior: Vice-Chairman and Director, RBC Dominion Securities Limited (investment dealer) 1981-1998.	1996
GERALD W. GRANDEY (2) President and Chief Executive Officer Saskatoon, Saskatchewan	Assumed current position 2003; prior: President 2000-2002; Executive Vice-President 1997-2000.	2000
NANCY E. HOPKINS (2, 3) Saskatoon, Saskatchewan	Lawyer, Partner, McDougall Gauley, 1984 to present. Effective January 2001 Gauley & Company merged with McDougall Ready to form McDougall Gauley.	1992
OYVIND HUSHOVD(3,4,5) Toronto, Ontario	Chairman and Chief Executive Officer of Gabriel Resources Ltd., May 2003 to present; prior: President and Chief Executive Officer of Falconbridge Ltd. 1996 to 2002.	2003
J.W. GEORGE IVANY (3, 5, 6) Kelowna, British Columbia	Corporate Director, 1999 to present; prior: President and Vice-Chancellor, University of Saskatchewan 1989-1999.	1999
A. NEIL McMILLAN(2, 3, 4) Saskatoon, Saskatchewan	President, Claude Resources Inc. 1996 to present.	2001

Directors Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since (1)
ROBERT W. PETERSON (3, 4, 5) Regina, Saskatchewan	President and Chief Operating Officer Denro Holdings Ltd. 1994 to present.	1994
VICTOR J. ZALESCHUK(2, 3, 5, 6, 7) Calgary, Alberta	Corporate Director, November 2001 to present; prior: President and Chief Executive Officer, Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) from June 1, 1997 to June 1, 2001.	2001

(1) Each director will hold office until the next annual meeting unless such director's office is earlier vacated in accordance with the corporate law requirements applicable to the Company from time to time.

(2) Member of the strategic planning committee.

(3) Member of the audit committee.

(4) Member of the environmental safety, health and environment committee.

(5) Member of the human resources and compensation committee.

(6) Member of the nominating, corporate governance and risk committee.

(7) Appointed audit committee financial expert.

Officers Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment for Past Five Years
VICTOR J. ZALESCHUK Chair Calgary, Alberta	Corporate Director, November 2001 to present; prior: President and Chief Executive Officer, Nexen Inc. (formerly Canadian Occidental Petroleum Ltd.) from June 1997 to June 2001.
GERALD W. GRANDEY President and Chief Executive Officer Saskatoon, Saskatchewan	Assumed current position 2003; prior: President, 2000-2002; Executive Vice-President 1997-2000.
TERRY ROGERS Senior Vice-President and Chief Operating Officer Saskatoon, Saskatchewan	Assumed current position February 2003; prior: President Kumtor Operating Company, Kyrgyz Republic 1999 - 2003.
GEORGE B. ASSIE Senior Vice-President, Marketing and Business Development Saskatoon, Saskatchewan	Assumed current position January 2003; prior: President Cameco Inc., Eden Prairie, Minnesota 1999 - 2002.
DAVID M. PETROFF Senior Vice-President, Finance and Administration and Chief Financial Officer Saskatoon, Saskatchewan	Assumed current position April 1997.
RITA M. MIRWALD Senior Vice-President, Human Resources and Corporate Relations Saskatoon, Saskatchewan	Assumed current position April 1997.
GARY M.S. CHAD Senior Vice-President, Law, Regulatory Affairs and Corporate Secretary Saskatoon, Saskatchewan	Assumed current position January 2000; prior: Senior General Counsel and Secretary 1990-1999.

The directors and officers of Cameco as a group, beneficially own, directly or indirectly, less than 1% of the issued and outstanding common shares of Cameco.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Secretary of the Company:

1. When the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

   (a) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;

   (b) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statement of the Company subsequent to the financial statements for its most recently completed financial year;

   (c) one copy of the management proxy circular of the Company in respect of its most recent annual meeting of shareholders; and

   (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (a) to (c) above; or

2. Any other time, one copy of any document referred to in (1)(a), (b) and (c) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness to the Company, principal holders of the Company's securities and options to purchase securities is contained in the Management Proxy Circular dated April 13, 2004 and additional information is provided in the Company's Consolidated Financial Statement for the fiscal year-ended December 31, 2003. Copies of the Management Proxy Circular are available upon request from the Secretary of the Company at 2121-11th Street West, Saskatoon, Saskatchewan, S7M 1J3, telephone: (306) 956-6200.

Appendix "A"

CAMECO CORPORATION

2003 CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Appendix "B"

2003 MANAGEMENT'S DISCUSSION AND ANALYSIS

EXHIBIT 2

Cameco Corporation

2003 Consolidated Audited Financial Statements

FINANCIAL INFORMATION

STILL GROWING STRONG

Cameco continues to demonstrate financial strength.

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Report of Management's Accountability

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual report and reflect the corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

The integrity and reliability of Cameco's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Cameco's code of ethics, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the corporation's affairs.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The board of directors annually appoints an audit committee comprised of directors who are not employees of the corporation. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Original signed by David M. Petroff

Senior Vice-President, Finance and Administration
and Chief Financial Officer

January 26, 2004, except as to note 28(b) which is as of
February 27, 2004

Auditors' Report

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2003. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Original signed by KPMG LLP

Chartered Accountants
Saskatoon, Canada

January 26, 2004, except as to note 28(b) which is as of
February 27, 2004

Consolidated Balance Sheets

As at December 31	2003	(Restated) 2002
		(Thousands)
Assets		
Current assets		
Cash	$ 84,069	$ 58,096
Accounts receivable	181,337	186,369
Inventories [note 3]	316,435	339,684
Supplies and prepaid expenses	41,571	45,731
Current portion of long-term receivables, investments and other [note 5]	54,866	20,163
	678,278	650,043
Property, plant and equipment [note 4]	2,072,156	2,060,250
Long-term receivables, investments and other [note 5]	608,977	257,523
Total assets	**$3,359,411**	**$2,967,816**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 156,112	$ 131,932
Dividends payable	11,598	6,998
Current portion of long-term debt [note 6]	4,331	6,318
Current portion of other liabilities [note 8]	1,563	16,931
Future income taxes [note 15]	24,237	9,198
	197,841	171,377
Long-term debt [note 6]	238,707	218,290
Provision for reclamation [note 7]	150,444	159,344
Other liabilities [note 8]	36,196	9,523
Future income taxes [note 15]	501,674	530,625
	1,124,862	1,089,159
Minority interest	14,690	18,078
Shareholders' equity		
Preferred securities [note 9]	158,022	193,763
Convertible debentures [note 10]	226,444	–
Share capital [note 11]	708,345	680,934
Contributed surplus	474,927	472,488
Retained earnings	665,377	494,341
Cumulative translation account [note 12]	(13,256)	19,053
	2,219,859	1,860,579
Total liabilities and shareholders' equity	**$3,359,411**	**$2,967,816**

Commitments and contingencies [notes 6,7,18,19,24,25]
See accompanying notes to consolidated financial statements.
Approved by the board of directors

Consolidated Statements of Earnings

For the year ended December 31	2003	(Restated) 2002	(Restated) 2001
		(Thousands)	
Revenue from			
Products and services	$826,946	$ 748,334	$700,839
Expenses			
Products and services sold	538,823	486,155	422,067
Depreciation, depletion and reclamation	124,489	116,958	129,298
Administration	47,011	41,693	36,644
Exploration	21,923	21,532	18,203
Research and development	1,717	2,257	2,097
Interest and other [note 13]	4,737	(1,957)	(2,366)
Gain on property interests [note 23]	–	(2,670)	–
	738,700	663,968	605,943
Earnings from operations	88,246	84,366	94,896
Earnings from Bruce Power [note 19]	107,921	15,769	12,167
Other income (expenses) [note 14]	429	(878)	590
Earnings before income taxes and minority interest	196,596	99,257	107,653
Income tax expense (recovery) [note 15]	(15,994)	47,265	42,241
Minority interest	(3,416)	(871)	–
Net earnings	**216,006**	**52,863**	**65,412**
Preferred securities charges, net of tax [note 9]	9,030	9,340	9,325
Convertible debenture charges, net of tax [note 10]	2,290	–	–
Net earnings attributable to common shares	**$204,686**	**$ 43,523**	**$ 56,087**
Basic earnings per common share [note 26]	**$ 3.65**	**$ 0.78**	**$ 1.01**
Diluted earnings per common share [note 26]	**$ 3.58**	**$ 0.78**	**$ 1.01**

Consolidated Statements of Retained Earnings

For the year ended December 31	2003	(Restated) 2002	(Restated) 2001
		(Thousands)	
Retained earnings at beginning of year,			
As previously reported	$483,658	$ 465,420	$437,328
Change in accounting policy for reclamation [note 2]	10,683	13,280	13,089
As restated	$494,341	$ 478,700	$450,417
Net earnings	216,006	52,863	65,412
Dividends on common shares	(33,650)	(27,882)	(27,804)
Preferred securities charges, net of tax [note 9]	(9,030)	(9,340)	(9,325)
Convertible debenture charges, net of tax [note 10]	(2,290)	–	–
Retained earnings at end of year	**$665,377**	**$ 494,341**	**$478,700**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31	2003	(Restated) 2002	(Restated) 2001
		(Thousands)	
Operating activities			
Net earnings	$ 216,006	$ 52,863	$ 65,412
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	124,489	116,958	129,298
Provision for future taxes [note 15]	(26,213)	36,996	32,655
Deferred charges (revenue) recognized	9,331	1,375	(10,373)
Earnings from Bruce Power [note 19]	(107,921)	(15,769)	(12,167)
Equity in (earnings) loss from associated companies [note 14]	1,494	1,083	–
Minority interest	(3,416)	(871)	–
Gain on property interests [note 23]	–	(2,670)	–
Other operating items [note 16]	32,123	60,877	(88,578)
Cash provided by operations	**245,893**	**250,842**	**116,247**
Investing activities			
Additions to property, plant and equipment	(159,570)	(90,226)	(58,275)
Increase in long-term receivables, investments and other	(288,259)	(42,597)	(94,808)
Decrease in long-term receivables, investments and other	–	58,296	21,963
Proceeds on sale of property, plant and equipment	242	101	403
Cash used in investing	**(447,587)**	**(74,426)**	**(130,717)**
Financing activities			
Decrease in debt	(25,848)	(130,295)	(25,485)
Increase in debt	50,311	1,379	79,932
Restricted cash	342	11,138	409
Issue of convertible debentures, net of issue costs	223,032	–	–
Issue of shares	27,411	10,903	5,208
Preferred securities charges	(15,306)	(17,238)	(17,268)
Dividends	(32,275)	(27,944)	(27,720)
Cash provided by (used in) financing	**227,667**	**(152,057)**	**15,076**
Increase in cash during the year	25,973	24,359	606
Cash at beginning of year	58,096	33,737	33,131
Cash at end of year	**$ 84,069**	**$ 58,096**	**$ 33,737**
Supplemental cash flow disclosure			
Interest paid	$ 20,675	$ 16,572	$ 22,860
Income taxes paid	$ 11,537	$ 5,309	$ 3,916

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2003, 2002 and 2001

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. Cameco Corporation and its subsidiaries (collectively, “Cameco” or “the company”) are primarily engaged in the exploration for and the development, mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. The company has an interest in the Bruce Power electrical generation plant in Ontario. Cameco is also involved in the exploration for and the development, mining and sale of gold.

2. Accounting Policies

(a) Significant Accounting Policies

A summary of significant accounting policies follows the notes to the consolidated financial statements.

(b) Changes in Accounting Policies

(i) Stock-Based Compensation (note 21)

Cameco has adopted the fair value method of accounting for employee stock options with retroactive effect to January 1, 2003. Pursuant to new transitional rules related to accounting for stock-based compensation, Cameco chose to record compensation expense for all employee stock options granted on or after January 1, 2003 with a corresponding increase to contributed surplus. Compensation expense for options granted during 2003 is determined based on the estimated fair values at the time of grant, the cost of which is recognized over the vesting periods of the respective options. This change in accounting policy has increased expenses by $2,439,000 in 2003.

(ii) Asset Retirement Obligations (note 7)

In March 2003, the CICA issued new accounting rules dealing with asset retirement obligations which come into effect for fiscal years beginning on or after January 1, 2004. Cameco chose to adopt the rules in 2003. This change in accounting policy was applied retroactively and, accordingly, the consolidated financial statements of prior periods were restated. This section addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. The new rules require that the estimated cost of an asset retirement obligation be recognized as a liability in the period incurred. A corresponding amount is added to the carrying amount of the associated asset and depreciated over the asset’s useful life. The liability is accreted over time through charges to earnings. This differs from the current practice which involves accruing for the estimated reclamation and closure liability through annual charges to earnings over the estimated life of the asset.

The cumulative effect of the change in policy on the balance sheet at December 31, 2002 is to increase property, plant and equipment by $23 million, future income taxes by $8 million, liabilities by $4 million and opening retained earnings by $13 million. The effect of the change in policy on the statement of earnings for December 31, 2002 was a $3 million ($0.05 per share) reduction in earnings. For 2001, earnings were virtually unchanged.

(c) New Accounting Pronouncements

Hedging Relationships

Effective January 1, 2004, Cameco will be required to adopt the new Canadian Accounting Guideline, Hedging Relationships that establishes new criteria for hedging relationships in effect on or after January 1, 2004. To qualify for hedge accounting, the hedging relationship must be appropriately documented and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high degree of correlation of changes in fair values or cash flows between the hedged item and the hedge. Cameco does not anticipate that the adoption of this accounting guideline will have a material impact on its consolidated financial statements.

3. Inventories

	2003	2002
		(Thousands)
Uranium		
Concentrate	$260,211	$ 284,052
Broken ore	9,680	8,586
	269,891	292,638
Conversion	44,472	39,097
Gold		
Finished	297	4,189
Broken ore	1,775	3,760
	2,072	7,949
Total	**$316,435**	**$ 339,684**

4. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	2003 Net	(Restated) 2002 Net
				(Thousands)
Uranium				
Mining	$2,216,216	$ 831,526	$1,384,690	$1,421,598
Development	355,806	–	355,806	349,281
Conversion	274,025	147,054	126,971	130,246
Gold				
Mining	222,285	164,754	57,531	85,832
Development	127,682	–	127,682	57,919
Other	**34,624**	**15,148**	**19,476**	**15,374**
Total	**$3,230,638**	**$ 1,158,482**	**$2,072,156**	**$2,060,250**

5. Long-Term Receivables, Investments and Other

	2003	2002
		(Thousands)
Bruce Power L.P. [note 19]		
Interest in Bruce Power L.P.	$456,520	$130,218
Loan receivable	77,028	–
Kumtor Gold Company		
Subordinated loan – principal [note 18]	52,590	64,276
Subordinated loan – interest	2,261	292
Restricted cash – debt reserve	75	489
Investments in associated companies		
Investment in Technology Commercialization International, Inc.	4,889	4,017
Investment in UEX Corporation	3,791	3,455
Portfolio investments		
Energy Resources of Australia Ltd (market $40,676)	18,208	17,564
General Hydrogen Corporation	6,323	6,323
Deferred charges	5,958	17,808
Investment in Huron Wind L.P.	2,725	–
Advances receivable	16,693	22,704
Accrued pension benefit asset [note 22]	10,630	1,817
Other	6,152	8,723
	663,843	277,686
Less current portion	(54,866)	(20,163)
Net	**$608,977**	**$257,523**

The security agreement between Kumtor Gold Company (KGC) and its senior debt lenders requires that in order to make certain payments to shareholders and subordinated lenders, funds sufficient to meet those senior debt principal and interest payments scheduled to occur over the ensuing six months to be held in a debt reserve account until paid.

6. Long-Term Debt

	2003	2002
		(Thousands)
Debentures	$149,329	$ 149,079
Commercial paper	65,934	24,455
Kumtor Gold Company [note 18]		
Senior debt	7,324	40,543
Subordinated debt	8,616	10,531
Equipment loan	11,835	–
	243,038	224,608
Less current portion	(4,331)	(6,318)
Net	**$238,707**	**$ 218,290**

Cameco has $50,000,000 outstanding in senior unsecured debentures that bear interest at a rate of 7.0% per annum and will mature July 6, 2006. Cameco also has $100,000,000 outstanding in senior unsecured debentures that bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Cameco has a $196,500,000 three-year unsecured revolving credit facility that is available until December 4, 2006 and a $221,000,000 364-day unsecured revolving credit facility with a two-year term-out option. Cameco may also borrow directly from investors by issuing commercial paper. Commercial paper outstanding at December 31, 2003 was $61,419,000 (Cdn) and $3,493,000 (US) (2002 – $15,482,000 (US)) and bears interest at an average rate of 2.6% (2002 – 1.4%). These amounts are classified as long-term debt.

Cameco has $11,835,000 ($9,158,000 (US)) outstanding under an equipment loan which is repayable in 17 remaining quarterly installments of $421,000 (US) with a final payment of $2,000,000 (US) in 2008.

Cameco has $294,100,000 ($168,800,000 (Cdn) and $96,951,000 (US)) in letter of credit facilities. Outstanding letters of credit at December 31, 2003 amounted to $202,745,000 (2002 – $208,975,000). The majority of the letters of credit relate to future decommissioning and reclamation liabilities [note 7].

The table below represents currently scheduled maturities of long-term debt over the next five years including Cameco's one-third share of Kumtor Gold Company principal repayments on debt.

	(Thousands)
2004	$ 4,331
2005	9,502
2006	221,749
2007	4,331
2008	3,125
Total	**$ 243,038**

Cameco has guaranteed the repayment of KGC senior debt [note 18]. Cameco's contingent obligation under this guarantee exceeds the amount included in the Cameco long-term debt as at December 31, 2003 by $14,647,000 (2002 – $81,086,000).

7. Provision for Reclamation

Cameco's estimates of future asset retirement obligations are based on reclamation standards that meet or exceed regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be $234,000,000. These estimates are formally reviewed by Cameco technical personnel at least every two years or more frequently as required by regulatory agencies. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of $198,674,000 in the form of letters of credit to satisfy current regulatory requirements.

Following is a reconciliation of the total liability for asset retirement obligations:

	2003	(Restated) 2002
		(Thousands)
Balance, beginning of year	$159,344	$ 138,445
Additions to liabilities	–	19,600
Liabilities settled	(13,214)	(6,878)
Accretion expense	8,757	8,077
Remeasurement of non-Canadian liabilities	(4,443)	100
Balance, end of year	**$150,444**	**$ 159,344**

Following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

(i) Total undiscounted amount of the estimated cash flows – $234,000,000.

(ii) Expected timing of payment of the cash flows – timing is based on life of mine plans. The majority of expenditures are expected to occur after 2013.

(iii) Discount rates – 7.5% for operations in North America; 8.5% for operations in Central Asia.

The asset retirement obligations liability is comprised of:

	2003	(Restated) 2002
		(Thousands)
Uranium	$ 92,279	$ 96,463
Conversion	48,706	47,286
Gold	9,459	15,595
Total	**$150,444**	**$ 159,344**

8. Other Liabilities

	2003	2002
		(Thousands)
Deferred revenue	$28,099	$ 2,102
Accrued post-retirement benefit liability [note 22]	3,389	4,092
Borrowed product	–	12,952
Other	6,271	7,308
	37,759	26,454
Less current portion	(1,563)	(16,931)
Net	**$36,196**	**$ 9,523**

9. Preferred Securities

Cameco issued $125,000,000 (US), 8.75% preferred securities in denominations of $25 (US) each due September 30, 2047 accruing interest from the date of issuance payable quarterly commencing December 31, 1998.

The preferred securities are redeemable, at the option of Cameco, in whole or in part at any time on or after October 14, 2003 at a redemption price equal to 100% of the principal amount of the preferred securities to be redeemed plus any accrued and unpaid interest thereon to the date of redemption.

The principal amounts of the preferred securities, net of after-tax issue costs of $4,330,000 (Cdn) have been classified as equity, and interest payments on an after-tax basis are classified as distributions of equity, as Cameco has the unrestricted ability to settle its obligations by delivering common shares of Cameco.

The fair value of the preferred securities approximates the carrying value.

10. Convertible Debentures

On September 25, 2003 the company issued unsecured convertible debentures in the amount of $230 million. The debentures bear interest at 5% per annum, mature on October 1, 2013, and at the holder's option are convertible into common shares of Cameco. The conversion price is $65 per share, a rate of approximately 15.4 common shares per $1,000 of convertible debentures. Interest is payable semi-annually in arrears on April 1 and October 1. The debentures are redeemable by the company beginning October 1, 2008 at a redemption price of par plus accrued and unpaid interest.

The convertible debentures are being accounted for in accordance with their substance and the principal amounts, net of after-tax issue costs, have been classified as equity. The interest payments, on an after-tax basis, will be classified as distributions of equity, as Cameco has the unrestricted ability to settle its obligations by delivering common shares of Cameco.

The fair value of the outstanding convertible debentures is based on the quoted market price of the debentures at December 31, 2003 and was approximately $308,200,000.

11. Share Capital

Authorized share capital:

Unlimited number of first preferred shares
Unlimited number of second preferred shares
Unlimited number of voting common shares, and
One Class B share

(a) Common Shares

Number Issued	**2003**	2002
		(Number of Shares)
Beginning of year	55,985,873	55,671,440
Issued:		
Stock option plan [note 20]	783,550	314,433
Issued share capital	**56,769,423**	**55,985,873**

Amount	**2003**	2002
		(Thousands)
Beginning of year	$ 685,491	$ 676,404
Issued:		
Stock option plan [note 20]	25,572	9,087
Issued share capital	711,063	685,491
Less loans receivable [note 20]	(2,718)	(4,557)
End of year	**$ 708,345**	**$ 680,934**

(b) Class B Share

One Class B share issued during 1988 and assigned $1 of share capital, entitles the shareholder to vote separately as a class in respect of any proposal to locate the head office of Cameco to a place not in the province of Saskatchewan.

(c) Contributed Surplus

The increase in contributed surplus of $2,439,000 is the result of expensing stock-based compensation (note 21).

12. Cumulative Translation Account

The balance of $(13,256,000) (2002 – $19,053,000) represents the cumulative unrealized net exchange gain (loss) on Cameco's net investments in foreign operations, and on the foreign currency debt and preferred securities designated as hedges of the net investments.

13. Interest and Other

	2003	2002	2001
		(Thousands)	
Interest on long-term debt	$ 19,715	$ 14,478	$ 20,116
Other interest and financing charges	2,221	2,039	1,616
Interest income	(6,776)	(6,842)	(10,773)
Foreign exchange (gains) losses	3,620	(1,648)	(791)
Mark-to-market loss	–	1,811	–
Capitalized interest	(14,043)	(11,795)	(12,534)
Net	**$ 4,737**	**$ (1,957)**	**$ (2,366)**

As a result of the Kumtor pit wall failure in 2002, certain gold contracts designated as hedges of Kumtor's gold production were no longer effective. Mark-to-market losses on these contracts were expensed.

14. Other Income (Expenses)

	2003	2002	2001
		(Thousands)	
Dividends on portfolio investments	$ 1,923	$ 205	$ 590
Equity in earnings (loss) of associated companies	(1,494)	(1,083)	–
Net	**$ 429**	**$ (878)**	**$ 590**

15. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2003	(Restated) 2002
		(Thousands)
Assets		
Property, plant and equipment	$ 38,409	$ 52,638
Provision for reclamation	44,129	44,818
Foreign exploration and development	37,566	27,771
Other	743	4,634
Future income tax assets before valuation allowance	120,847	129,861
Valuation allowance	(67,499)	(69,505)
Future income tax assets, net of valuation allowance	**$ 53,348**	**$ 60,356**
Liabilities		
Property, plant and equipment	$531,295	$584,321
Inventories	5,060	9,198
Long-term investments	42,904	6,660
Future income tax liabilities	**$579,259**	**$600,179**
Net future income tax liabilities	**$525,911**	**$539,823**
Less current portion	(24,237)	(9,198)
	$501,674	**$530,625**

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2003	2002	2001
		(Thousands)	
Earnings before income taxes and minority interest	$196,596	$99,257	$107,653
Combined federal and provincial tax rate	44.1%	45.4%	45.5%
Computed income tax expense	86,699	45,063	48,982
Increase (decrease) in taxes resulting from:			
Change in tax legislation	(81,300)	–	–
Provincial royalties and other taxes	7,380	8,883	10,212
Federal resource allowance	(1,506)	(5,918)	(6,710)
Manufacturing and processing deduction	(8,443)	(283)	(791)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(18,968)	(7,379)	(12,895)
Large corporations and other taxes	4,988	4,521	4,558
Other	(4,844)	2,378	(1,115)
Income tax expense (recovery)	**$ (15,994)**	**$47,265**	**$ 42,241**

In 2003, the federal government introduced amendments to the Canadian Income Tax Act which provide for a reduction in the corporate tax rate on income from resource activities. The cumulative effect of the change in income tax legislation on Cameco's future income tax liability was $86,200,000.

In 2003, the Ontario government introduced amendments to the Corporations Tax Act which provide for an increase in the corporate tax rate on all income. The cumulative effect of the change in income tax legislation on Cameco's future income tax liability was $4,900,000.

	2003	2002	2001
		(Thousands)	
Current income taxes			
Canada	$ 6,984	$ 7,895	$ 7,704
Other	3,235	2,374	1,882
	$ 10,219	**$10,269**	**$ 9,586**
Future income taxes (recovery)			
Canada	$(25,337)	$37,813	$30,945
Other	(876)	(817)	1,710
	$(26,213)	**$36,996**	**$32,655**
Net	**$(15,994)**	**$47,265**	**$42,241**

16. Other Operating Items

	2003	2002	2001
		(Thousands)	
Changes in non-cash working capital:			
Accounts receivable	$ 10,351	$ 27,396	$(82,094)
Interest receivable	(2,022)	205	515
Inventories	(11,590)	10,932	7,469
Supplies and prepaid expenses	4,160	(1,157)	(24)
Accounts payable and accrued liabilities	24,180	18,342	5,992
Other liabilities	(2,860)	279	(2,117)
Hedge position settlements	30,852	14,794	(11,328)
Reclamation payments	(9,903)	(6,878)	(5,655)
Other	(11,045)	(3,036)	(1,336)
Total	**$ 32,123**	**$ 60,877**	**$(88,578)**

17. Joint Ventures

Cameco conducts a portion of its exploration, development, mining and milling activities through joint ventures. Cameco's significant uranium joint venture interests are comprised of:

Producing:	
McArthur River	69.81%
Key Lake	83.33%
Non-producing:	
Cigar Lake	50.03%
Inkai	60.00%

Uranium joint ventures allocate uranium production to each joint venture participant and the joint venture participant derives revenue directly from the sale of such product. Mining and milling expenses incurred by the joint venture are included in the cost of inventory. The majority of the uranium mining and development property, plant and equipment as disclosed in note 4 are held in joint ventures.

Cameco's gold joint venture interests are comprised of a 33.33% participation interest in Kumtor Gold Company. Kumtor Gold Company obtains revenue directly from the sale of products. Cameco's share of the assets and liabilities, revenue and expenses, and cash flows relating to the Kumtor joint venture is as follows:

	2003	(Restated) 2002
		(Thousands)
Current assets	$27,795	$ 28,933
Property, plant and equipment	61,771	91,969
	$89,566	**$120,902**
Current liabilities	$ 7,458	$ 6,772
Long-term liabilities	51,305	86,301
Equity	30,803	27,829
	$89,566	**$120,902**

	2003	(Restated) 2002	(Restated) 2001
		(Thousands)	
Revenues	$109,287	$ 82,361	$110,225
Expenses	(99,863)	(92,036)	(81,180)
Net earnings (loss)	**$ 9,424**	**$ (9,675)**	**$ 29,045**
Cash provided by (used in)			
Operating activities	$ 36,810	$ 13,142	$ 39,804
Investing activities	(4,112)	(4,716)	(2,492)
Financing activities	(29,033)	(16,013)	(44,517)
Increase (decrease) in cash during the year	**$ 3,665**	**$ (7,587)**	**$ (7,205)**

18. Kumtor Gold Company (KGC) Joint Venture

On May 26, 1994, Cameco, the Republic of Kyrgyzstan and Kyrgyzaltyn, an instrumentality of the Republic, signed an amended joint venture master agreement that provided for the exploration, development, operation and arrangement of financing, of the Kumtor gold project by Cameco. KGC was formed in the Republic of Kyrgyzstan as a joint stock company to hold the assets of the Kumtor gold project pursuant to a master agreement among the parties. Kyrgyzaltyn holds a two-thirds interest in KGC and Cameco holds a one-third interest.

Cameco has guaranteed the repayment of KGC senior debt and has purchased political risk insurance to support the guarantee.

Cameco has proportionately consolidated its one-third interest in KGC.

KGC's long-term debt at December 31, is as follows:

	2003	2002
		(Thousands)
Senior debt (US dollar denominated):		
• Commercial banks $17,000,000 (2002 – $77,000,000) (US) repayable in two remaining installments on December 1, 2004 $5,000,000 (US) and June 1, 2005 $12,000,000 (US). Interest is based on LIBOR plus an applicable percentage based on credit rating ranging from 0.8% to 1.55%.	$ 21,971	$121,629
Subordinated debt (US dollar denominated):		
• Shareholder loan from Cameco $61,037,000 (2002 – $61,037,000) (US) with interest based on LIBOR plus 6%, repayable in 12 equal semi-annual installments of $8,953,000 (US) commencing on December 2, 1999. In accordance with the terms of the loan agreement, certain installments have been deferred amounting to $34,178,000 (2002 – $16,272,000) (US)	78,884	96,414
• EBRD $10,000,000 (2002 – $10,000,000) (US)	12,924	15,796
• IFC $10,000,000 (2002 – $10,000,000) (US)	12,924	15,796
The IFC and EBRD subordinated debt is repayable in four equal semi-annual installments commencing on December 2, 2005, extendable at the option of EBRD or IFC to commence no later than December 2, 2013. The interest rate applicable to the EBRD and IFC subordinated debt is based on the cash generated by the project subject to a minimum interest rate. The annualized rate for 2003 was approximately 16.8% (2002 – 4.6%).		
Total KGC debt	**$126,703**	**$249,635**

Cameco's one-third proportionate share of KGC senior debt is $7,324,000 (2002 – $40,543,000) and of KGC's third party subordinated debt is $8,616,000 (2002 – $10,531,000) [note 6].

19. Investment in Bruce Power L.P. (Bruce Power)

(a) Investment

On February 14, 2003, Cameco, TransCanada PipeLines Limited (TransCanada) and BPC Generation Infrastructure Trust (BPC), amongst others, purchased a 79.8% interest in Bruce Power from British Energy plc (British Energy). Upon closing, Cameco increased its ownership interest in Bruce Power from 15% to 31.6%. TransCanada and BPC each hold, directly or indirectly, a 31.6% interest in Bruce Power with the Power Workers' Union Trust holding a 4% interest and the Society of Energy Professionals Trust holding a 1.2% interest. Cameco is using the equity method to account for this investment.

Cameco's purchase price for the additional interest in Bruce Power was approximately $204,466,000 including final closing adjustments. The purchase price was initially financed with cash and debt. The purchase price of Cameco's incremental 16.6% has been allocated as follows:

	(Thousands)
Net book value of assets acquired	$ 149,056
Excess of fair value over book value of assets acquired	144,545
Valuation of Bruce Power sales agreements	(68,593)
Pension liability	(20,542)
	$ 204,466

The amount allocated to the investment in Bruce Power includes an excess purchase price of approximately $144,545,000 over Cameco's incremental share of the book value of the underlying net assets. This amount will be amortized to income based on the expected useful life of the Bruce Power assets which extends to 2018. The valuation of Bruce Power sales contracts will be amortized to income over the remaining term of the underlying sales contracts, which extend to 2007. The approximate amount of pre-tax income relating to the amortization of the fair value allocated to these contracts is as follows:

	(Thousands)
2003	$ 20,071
2004	19,341
2005	13,133
2006	15,192
2007	856
Total	$ 68,593

The amount allocated to the pension liability will be amortized to income over the 11-year expected average remaining service life of Bruce Power employees, resulting in an annual pre-tax amortization to income of $1,867,000.

In addition, Cameco, TransCanada and BPC loaned Bruce Power funds to repay $225,000,000, plus accrued interest, in deferred lease payments to Ontario Power Generation Inc. (OPG). Cameco's share was $75,000,000 plus accrued interest. This loan is due February 14, 2008 and bears interest at 10.5% per annum.

Bruce Power holds a long-term lease with OPG to operate the Bruce nuclear power facility. The term of the lease, which expires in 2018 is 18 years with an option to extend the lease for up to an additional 25 years.

Cameco, TransCanada and BPC have assumed the obligations to provide financial guarantees on behalf of the partnership. Cameco has provided the following financial assurances, with varying terms that range from 2003 to 2018:

(i) Licensing assurances to Canadian Nuclear Safety Commission of $88,000,000.

(ii) Guarantees to customers under power sale agreements of up to $127,171,000. At December 31, 2003, Cameco's actual exposure under these guarantees was $44,291,000.

(iii) Termination payments to OPG pursuant to the lease agreement of $58,333,000.

Under the lease agreement, OPG, as the owner of the Bruce nuclear plants, is responsible to decommission the Bruce facility and to provide funding and meet other requirements that the Canadian Nuclear Safety Commission (CNSC) may require of Bruce Power as licensed operator of the Bruce facility. OPG is also responsible to manage radioactive waste associated with decommissioning of the Bruce nuclear plants.

(b) Fuel Supply Agreements

Cameco has entered into fuel supply agreements with Bruce Power for the procurement of fabricated fuel. Under these agreements, Cameco will supply uranium and conversion services and finance the purchase of fabrication services. Contract terms are at market rates and on normal trade terms. During 2003, sales of uranium and conversion services to Bruce Power amounted to approximately 3% of Cameco's total revenue. At December 31, 2003, amounts receivable under these agreements totalled $30,193,000 (2002 – $18,349,000).

(c) Supplementary Information — Bruce Power L.P. (100%)

Balance Sheets

	2003	2002
		(Millions)
Assets		
Current assets	$ 290	$ 232
Property, plant and equipment	2,032	1,623
Long-term receivables, and investments	201	214
	$ 2,523	$ 2,069
Liabilities and Partners' Capital		
Current liabilities	$ 194	$ 154
Long-term debt	1,244	1,115
	1,438	1,269
Partners' capital	1,085	800
	$ 2,523	**$ 2,069**

Statements of Earnings

	2003	2002	2001
		(Millions)	
Revenue	$ 1,208	$ 919	$ 599
Operating costs	853	750	471
Earnings before interest and taxes	355	169	128
Interest	69	63	41
Earnings before taxes	286	106	87
Cameco's share (i)	77	16	13
Adjustments (ii)	31	–	(1)
Cameco's share of earnings before taxes	**$ 108**	**$ 16**	**$ 12**

(i) Cameco's interest in Bruce Power earnings prior to February 14, 2003 was 15%. Subsequent to the acquisition of an additional 16.6% interest on February 14, 2003, Cameco's share is 31.6%.

(ii) In addition to its proportionate share of earnings from Bruce Power, Cameco records certain adjustments to account for any differences in accounting policy and to amortize fair values assigned to assets and liabilities at the time of acquisition.

(iii) The comparative data for 2001 is for a 7.5-month period from May 12 to December 31.

Statements of Cash Flows

	2003	2002	2001
		(Millions)	
Cash provided by operations	$ 387	$ 185	$ 140
Cash used in investing	(528)	(432)	(445)
Cash provided by financing	131	220	370

20. Stock Option Plan

Cameco has established a stock option plan under which options to purchase common shares may be granted to directors, officers and other employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. Options granted prior to 1999 expire 10 years from the date of the grant of the option.

Prior to 1999, participants were eligible to receive loans from Cameco to assist in the purchase of common shares pursuant to the exercise of options. The maximum term of the loans was 10 years from the date of the grant of the related option. The loans bear interest at a rate equivalent to the regular dividends paid on the common shares to which the loans were provided. Common shares purchased by way of a company loan are held in escrow in the account of the option holder and are pledged as security for the respective loan until the loan has been repaid in full. Outstanding loans are shown as a reduction of share capital.

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 5,243,403, of which 1,779,279 shares have been issued.

Stock option transactions for the respective years were as follows:

	2003	2002	2001
		(Number of Shares)	
Beginning of year	2,223,750	2,195,783	1,987,883
Options granted	706,350	489,050	482,850
Options exercised [note 11]	(783,550)	(314,433)	(159,000)
Options cancelled	(106,550)	(146,650)	(115,950)
End of year	**2,040,000**	**2,223,750**	**2,195,783**
Exercisable	**954,100**	**1,331,550**	**1,362,983**

Upon exercise of certain existing options, additional options in respect of 184,550 shares would be granted.

Weighted average exercise prices were as follows:

	2003	2002	2001
Beginning of year	$ 38.98	$ 37.34	$ 38.72
Options granted	38.57	43.88	28.98
Options exercised	32.64	28.90	24.64
Options cancelled	58.06	52.33	43.52
End of year	**$ 40.22**	**$ 38.98**	**$ 37.34**
Exercisable	**$ 43.80**	**$ 41.41**	**$ 44.09**

Total options outstanding and exercisable at December 31, 2003 were as follows:

2003	Options Outstanding			Options Exercisable	
Option Price Per Share	**Number**	**Weighted Average Remaining Life**	**Weighted Average Exercisable Price**	**Number**	**Weighted Average Exercisable Price**
$15.00-35.00	538,400	5	$ 27.39	387,300	$ 26.83
35.01-55.00	1,311,000	7	40.59	377,450	46.04
55.01-75.50	190,600	3	73.93	189,350	74.04

21. Stock-Based Compensation

CICA Handbook Section 3870 establishes a fair-value based method of accounting for stock-based compensation plans which Cameco has adopted with retroactive effect to January 1, 2003.

For the year ended December 31, 2003, Cameco has recorded compensation expense of $2,439,000 with an offsetting credit to contributed surplus to reflect the estimated fair value of stock options granted to employees in 2003.

Cameco has applied the pro forma disclosure provisions of the standard to awards granted on or after January 1, 2002 but prior to January 1, 2003. The pro forma effect of awards granted prior to January 1, 2002 has not been included. The pro forma net earnings attributable to common shares, basic and diluted earnings per share after giving effect to the grant of these options in 2002 are:

	2003	2002
Pro forma net earnings attributable to common shares	$203,233	$41,303
Pro forma basic earnings per share	$ 3.62	$ 0.74
Pro forma diluted earnings per share	$ 3.56	$ 0.74

The fair value of the options issued was determined using the Black-Scholes option pricing model with the following assumptions:

	2003	2002
Number of options granted	706,350	489,050
Average strike price	$ 38.62	$ 43.84
Dividend	$ 0.60	$ 0.50
Expected volatility	20%	20%
Risk-free interest rate	4.1%	5.0%
Expected life of option	5 years	5 years
Expected forfeitures	10%	17%
Weighted average grant date fair values	$ 8.14	$ 10.83

22. Pension and Other Post-Retirement Benefits

Cameco maintains both defined benefit and defined contribution plans providing pension and post-retirement benefits to substantially all of its employees.

Pension Plans

The pension expense for Cameco's defined contribution plans was $5,348,000 (2002 – $4,989,000; 2001 – $4,411,000). The status of defined benefit pensions plans are as follows:

	2003	2002
		(Thousands)
Accrued Benefit Obligation		
Balance at beginning of year	$14,595	$ 13,330
Current service cost	806	743
Interest cost	984	835
Actuarial gain	(483)	–
Benefits paid	(522)	(313)
Balance at end of year	$ 15,380	$ 14,595
Plan Assets		
Fair value at beginning of year	$ 10,684	$ 10,915
Actual return on plan assets	711	(528)
Employer contributions	10,885	610
Benefits paid	(522)	(313)
Fair value at end of year	$ 21,758	$ 10,684
Funded status	$ 6,378	$ (3,911)
Unamortized net actuarial loss	1,887	2,670
Unamortized transitional obligation	2,365	3,058
Accrued pension benefit asset	**$ 10,630**	**$ 1,817**

Significant actuarial assumptions used in calculating the net pension expense for Cameco's funded plans were as follows:

	2003	2002
Discount rate	6.5%	6.0%
Long-term rate of return on assets	7.0%	8.0%
Rate of increase in compensation levels	4.5%	4.5%

Net pension expense for the defined benefit pension plans has been determined as follows:

	2003	2002	2001
		(Thousands)	
Cost of benefits earned by employees	$ 806	$ 743	$ 743
Interest cost on benefits earned	984	835	998
Expected return on pension plan assets, net	(601)	(443)	(885)
Net amortization	883	752	694
Net pension expense	**$2,072**	**$ 1,887**	**$ 1,550**

Other Post-Retirement Benefits

Cameco provides post-retirement benefits to substantially all employees. The costs are accrued over the expected service lives of employees. No funding is provided. The status of the plan is as follows:

	2003	2002
		(Thousands)
Accrued Benefit Obligation		
Balance at beginning of year	$ 4,092	$ 3,809
Current service cost	129	147
Interest cost	206	230
Actuarial gain	(952)	–
Benefits paid	(86)	(94)
Accrued post-retirement benefit liability	**$ 3,389**	**$ 4,092**

23. Property and Business Acquisitions

(a) AGR Limited

On March 5, 2002, Cameco acquired a 52% interest in AGR Limited (AGR). AGR is an Australia-based exploration company whose principal asset is a 95% interest in the Boroo gold deposit located in Mongolia. The purchase price was financed with $12,000,000 (US) in cash and the contribution of a neighboring property. In exchange, AGR issued 240 million shares to Cameco. The acquisition was accounted for using the purchase method and the results of operations are included in Cameco's consolidated financial statements from the effective date of the purchase.

The values assigned to the net assets acquired are as follows:

	(Thousands)
Cash and other working capital	$ 13,845
Property, plant and equipment	27,054
Minority interest	(18,981)
Net assets acquired	$ 21,918
Financed by:	
Cash	$ 19,562
Property, at carrying value	2,356
	$ 21,918

Subsequent to the acquisition, Cameco provided an additional $3,000,000 (US) of further exploration in the area in exchange for an

incremental 4% interest in AGR (43 million shares), increasing its total interest to 56% at December 31, 2002.

(b) Smith Ranch

On July 22, 2002, Cameco acquired the assets comprising the Smith Ranch in situ leach (ISL) operation and various other ISL properties from Rio Algom Mining LLC. In exchange for these assets, Cameco assumed the decommissioning liabilities associated with the Smith Ranch operation. At the acquisition date, the value of the liabilities was estimated to be $9,157,000 (US). Cameco also secured forward sales commitments for more than 900,000 pounds of uranium concentrates. The acquisition was accounted for using the purchase method and the results of operations are included in Cameco's consolidated financial statements from the effective date of the purchase.

(c) UEX Corporation

On July 18, 2002, Cameco acquired a 35.3% ownership interest in UEX Corporation (UEX); a company traded on the Toronto Stock Exchange (TSX). The principal assets of UEX consist of several uranium exploration properties located in the Athabasca region of Northern Saskatchewan. In acquiring this interest, Cameco transferred its Hidden Bay exploration properties to UEX in exchange for approximately 31 million shares. In addition, Cameco purchased another 2 million shares at a price of $0.25 per share.

In 2002, Cameco recorded a gain of $2,670,000 on the transfer of its Hidden Bay properties to UEX. The equity method is being used to account for this investment.

24. Commitments and Contingencies

(a) An action against Cameco, Cameco Gold Inc., Kumtor Operating Company and certain other parties commenced in a Canadian court by certain dependants of nine persons seeking damages, in the amount of $20,700,000 plus interest and costs, and punitive damages, in connection with the death of the said nine persons in a helicopter accident in Kyrgyzstan on October 4, 1995, is continuing. This action is being defended by the insurers of Cameco. Management is of the opinion, after review of the facts with counsel, that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.

(b) An action against Cameco was filed by Oren Benton on November 28, 2000 in the State of Colorado, U.S.A.. The action alleges breach of contract and tortious interference and sets forth a claim for purported damages in excess of $200,000,000 (US). Cameco's motion to dismiss was granted by order filed November 15, 2002 and Mr. Benton's claim was dismissed. Mr. Benton has appealed this decision. The appeal was heard on November 20, 2003 and judgment was reserved.

Management is of the opinion, after review of the facts with counsel, that the claim is completely without merit and that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.

(c) Commitments
At December 31, 2003, Cameco's purchase commitments, the majority of which are fixed-price uranium and conversion purchase arrangements, were as follows:

	(Millions (US))
2004	$ 113
2005	128
2006	145
2007	144
2008	131
Thereafter	454
Total	**$ 1,115**

25. Financial Instruments

The majority of revenues are derived from the sale of uranium products. Cameco's financial results are closely related to the long- and short-term market price of uranium sales and conversion services. Prices fluctuate and can be affected by demand for nuclear power, worldwide production and uranium inventory levels, and political and economic conditions in uranium producing and consuming countries. Revenue from gold operations is largely dependent on the market price of gold, which can be affected by political and economic factors, industry activity and the policies of central banks with respect to their levels of gold held as reserves. Financial results are also impacted by changes in foreign currency exchange rates, interest rates and other operating risks.

To hedge risks associated with fluctuations in the market price for uranium, Cameco seeks to maintain a portfolio of uranium sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from price volatility. Cameco employs a number of financial instruments to hedge risks associated with gold prices and foreign currency exchange rates. Put and call options are used to establish a minimum and maximum price range for gold sales and exchange rates for cash flows denominated in a foreign currency. Cameco also enters into forward sales contracts to establish a price for future deliveries of gold and US dollars. Net realized gains (losses) on contracts designated as hedges are recorded as deferred revenues (deferred charges) and recognized in earnings when the related hedged transactions occur.

Cameco also uses instruments such as swaps, puts and calls and forward rate agreements to manage funding costs and reduce the impact of interest rate volatility.

Financial assets that are subject to credit risks include cash and securities, accounts receivable and commodity and currency instruments. Cameco mitigates credit risk on these financial assets by holding positions with a variety of large creditworthy institutions. Sales of uranium, with short payment terms, are made to customers that management believes are creditworthy.

Except as disclosed below, the fair market value of Cameco's financial assets and financial liabilities approximates net book value as a result of the short-term nature of the instrument or the variable interest rate associated with the instrument.

Currency

At December 31, 2003, Cameco had hedged $457,300,000 (US) at an average spot exchange rate of $1.41 designated to various dates through 2008 as follows:

	(Thousands)
2004	$ 257,300
2005	190,000
2006	60,000
2007	10,000
2008	(60,000)
Total	**$ 457,300**

These hedge positions consist entirely of spot-deferred forward contracts. The average exchange rate reflects contract prices as at December 31, 2003 to their initial maturity date which is earlier than the designation date in many cases. The realized exchange rate will depend on the forward premium (discount) that is earned (paid) as hedge contracts are extended to their final designation date.

At December 31, 2003, Cameco's net mark-to-market gain on these foreign currency instruments was $51,060,000 (Cdn).

Timing differences between the usage and designation of hedge contracts may result in deferred revenue or deferred charges. At December 31, 2003, deferred revenue to be recognized totalled $24,487,000.

Interest

At December 31, 2003, Cameco had in place $85,000,000 (Cdn) of interest rate swaps whereby Cameco receives fixed interest rates ranging from 3.0% to 6.1%. These positions are designated over various dates maturing as follows:

	(Thousands)
2005	$ 32,500
2006	22,500
2007	–
2008	30,000
Total	$ 85,000

At December 31, 2003, Cameco's net mark-to-market gain on these interest rate swaps was $1,964,000 (Cdn).

Commodity

At December 31, 2003, Cameco's share of gold hedging positions have been designated against deliveries as follows:

	Forwards	
	Ounces	Average Price (US$/oz)
2004	134,000	$ 320
2005	91,000	312
2006	59,000	311
2007	9,000	309
	293,000	**$ 315**

Average prices reflect contract prices as at December 31, 2003 to their initial maturity date which is earlier than the designation date in many cases.

Timing differences between the usage and designation of hedge contracts may result in deferred revenue or deferred charges. At the end of 2003, Cameco's share of deferred charges to be recognized totalled $1,816,000 (US).

From the initial maturity date to the designation date contract prices are expected to accrue contango. The rate of contango earned will depend on the difference between future US interest rates and gold lease rates.

At December 31, 2003, the net mark-to-market loss on the above instruments was $20,199,000 (US).

Gold Commitment

As of December 31, 2003, Cameco agreed to provide credit support to a maximum of $130 (US) per ounce to the counterparties of KGC and AGR. At December 31, 2003, Cameco's maximum financial exposure under these arrangements based on outstanding commitments was $56,613,000 (US) (2002 – $60,724,000 (US)).

At December 31, 2003, Cameco's actual exposure under these arrangements, including its share of the net mark-to-market losses mentioned above, was $45,938,000 (US) (2002 – $37,838,000).

26. Per Share Amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the year net of shares held as security for employee loans to purchase such shares. The weighted average number of paid shares outstanding in 2003 was 56,119,557 (2002 – 55,780,978; 2001 – 55,398,552).

	2003	(Restated) 2002	(Restated) 2001
		(Thousands)	
Basic earnings per share computation			
Earnings available to common shareholders	$204,686	$43,523	$56,087
Weighted average common shares outstanding	56,120	55,781	55,399
Basic earnings per common share	**$ 3.65**	**$ 0.78**	**$ 1.01**
Diluted earnings per share computation			
Earnings available to common shareholders	$204,686	$43,523	$56,087
Dilutive effect of:			
Convertible debentures	2,290	–	–
Earnings available to common shareholders, assuming dilution	$206,976	$43,523	$56,087
Weighted average common shares outstanding	56,120	55,781	55,399
Dilutive effect of:			
Convertible debentures	950	–	–
Stock options	649	35	203
Other stock-based arrangements	34	24	16
Weighted average common shares outstanding, assuming dilution	57,753	55,840	55,618
Diluted earnings per common share	**$ 3.58**	**$ 0.78**	**$ 1.01**

Options whose exercise price was greater than the average market price were excluded from the calculation.

27. Segmented Information

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

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

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

(a) Business Segments

2003 (millions)	Uranium	Conversion	Gold	(i) Power	Subtotal	(i) Adjustments	Total
Revenue	$ 570.3	$ 142.4	$ 114.2	$ 371.9	$1,198.8	$ (371.9)	$ 826.9
Expenses							
Products and services sold	394.6	92.0	52.2	228.2	767.0	(228.2)	538.8
Depreciation, depletion and reclamation	92.1	10.9	21.5	34.6	159.1	(34.6)	124.5
Exploration	13.3	–	8.7	–	22.0	–	22.0
Research & development	–	1.7	–	–	1.7	–	1.7
Other	(0.4)	–	–	1.2	0.8	(1.2)	(0.4)
Earnings from Bruce Power						(107.9)	(107.9)
Non-segmented expenses							51.6
Earnings before income taxes	**70.7**	**37.8**	**31.8**	**107.9**	**248.2**	**–**	**196.6**
Income tax expense (recovery)							(16.0)
Minority interest							(3.4)
Net earnings							**216.0**
Preferred securities charges, net of tax							9.0
Convertible debenture charges, net of tax							2.3
Net earnings attributable to common shares							**$ 204.7**
Assets	**$2,294.8**	**$ 180.3**	**$ 346.1**	**$ 992.3**	**$3,813.5**	**$ (454.1)**	**$3,359.4**
Capital expenditures for the year	**$ 65.2**	**$ 6.0**	**$ 87.1**	**$ 156.5**	**$ 314.8**	**$ (156.5)**	**$ 158.3**

2002 (restated) (millions)	Uranium	Conversion	Gold	(i) Power	Subtotal	(i) Adjustments	Total
Revenue	$ 523.7	$ 137.4	$ 87.2	$ 137.8	$ 886.1	$ (137.8)	$ 748.3
Expenses							
Products and services sold	345.1	82.7	58.3	100.7	586.8	(100.7)	486.2
Depreciation, depletion and reclamation	85.6	11.1	20.2	13.8	130.7	(13.8)	116.9
Exploration	11.8	–	9.7	–	21.5	–	21.5
Research & development	–	2.3	–	–	2.3	–	2.3
Other	(0.2)	–	1.8	7.5	9.1	(7.5)	1.6
Gain on property interests	(2.7)	–	–	–	(2.7)	–	(2.7)
Earnings from Bruce Power						(15.8)	(15.8)
Non-segmented expenses							39.2
Earnings before income taxes	**84.1**	**41.3**	**(2.8)**	**15.8**	**138.4**	**–**	**99.2**
Income tax expense							47.3
Minority interest							(0.9)
Net earnings							**52.8**
Preferred securities charges, net of tax							9.3
Net earnings attributable to common shares							**$ 43.5**
Assets	**$2,309.8**	**$ 177.6**	**$ 349.2**	**$ 321.6**	**$3,158.2**	**$ (190.4)**	**$2,967.8**
Capital expenditures for the year	**$ 55.5**	**$ 6.9**	**$ 27.8**	**$ 64.8**	**$ 123.1**	**$ (64.8)**	**$ 90.2**

2001 (restated) (millions)	Uranium	Conversion	Gold	(i) Power	Subtotal	(i) Adjustments	Total
Revenue	$ 471.4	$ 114.4	$ 115.0	$ 89.9	$ 790.7	$ (89.9)	$ 700.8
Expenses							
Products and services sold	298.0	72.0	52.1	63.9	486.0	(63.9)	422.1
Depreciation, depletion and reclamation	87.7	12.8	28.9	7.7	137.1	(7.7)	129.3
Exploration	10.1	–	8.1	–	18.2	–	18.2
Research & development	–	2.1	–	–	2.1	–	2.1
Other	(0.6)	–	–	–	(0.6)	–	(0.6)
Earnings from Bruce Power	–	–	–	6.1	6.1	(6.1)	(12.2)
Non-segmented expenses							34.2
Earnings before income taxes	**76.2**	**27.5**	**25.9**	**12.2**	**141.9**	–	**107.6**
Income tax expense							42.2
Net earnings							**65.4**
Preferred securities charges, net of tax							9.3
Net earnings attributable to common shares							**$ 56.1**
Assets	**$2,389.2**	**$ 171.0**	**$ 326.5**	**$ 262.6**	**$3,149.3**	**$ (180.6)**	**$2,968.7**
Capital expenditures for the year	**$ 51.1**	**$ 4.8**	**$ 2.4**	**$ 17.0**	**$ 75.3**	**$ (17.0)**	**$ 58.3**

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

(b) Geographic Segments

	2003	(Restated) 2002	(Restated) 2001
		(Millions)	
Revenue from products and services			
Canada – domestic	$ 40.2	$ 62.8	$ 50.1
– export	337.5	381.6	413.3
United States	335.0	216.7	122.4
Central Asia	114.2	87.2	115.0
	$ 826.9	**$ 748.3**	**$ 700.8**
Assets			
Canada	$2,833.0	$2,436.1	$2,486.8
United States	180.3	191.6	182.2
Central Asia	346.1	340.1	299.7
	$3,359.4	**$2,967.8**	**$2,968.7**

(c) Major Customers

Cameco relies on a small number of customers to purchase a significant portion of its uranium concentrates and uranium conversion services. During 2003, revenues from one customer of Cameco's uranium and conversion segments represented approximately $97,000,000 (14%) of Cameco's total revenues. In 2002, revenues from one customer of Cameco's uranium and conversion segments represented approximately $92,000,000 (14%) of Cameco's total revenues. In 2001, revenues from one customer of Cameco's uranium and conversion segments represented approximately $84,000,000 (12%) of total revenue. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules.

28. Subsequent Event

(a) On January 5, 2004 Cameco Corporation and the Kyrgyz government announced an agreement to transfer all of Kumtor Gold Company (KGC), the owner of the Kumtor gold mine in the Kyrgyz Republic, to a new jointly owned Canadian company called Centerra Gold Inc. (Centerra). In conjunction with its acquisition of KGC and Cameco's other gold assets, Centerra intends to undertake a public offering (IPO) in Canada. Cameco expects to hold a majority interest in Centerra following the IPO.

(b) On February 27, 2004, Cameco, through one of its wholly owned US subsidiaries, signed an agreement to purchase a 25.2% interest in assets comprising the South Texas Project (STP) from a wholly owned subsidiary of American Electric Power (AEP) for $333 million (US). STP consists primarily of two 1,250 megawatt (MW) nuclear power plants located in Texas. These two units were commissioned in 1988 and 1999 and are licensed until 2027 and 2028. The interest which Cameco intends to purchase is subject to a right of first refusal in favour of the current participants for a period of 90 days. The transaction is expected to close in the second half of 2004 and, based on current operating performance and market conditions, would have a positive impact on net earnings and for 2004. Cameco does not expect to finance the acquisition with debt and is looking at various options, including issuing equity.

29. Comparative Figures

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

30. Generally Accepted Accounting Principles in Canada and the United States

The consolidated financial statements of Cameco are expressed in Canadian dollars in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP).

(a) Reconciliation of earnings in accordance with Canadian GAAP to earnings determined in accordance with US GAAP:

	2003	2002	2001
		(Thousands)	
Net earnings under Canadian GAAP	**$216,006**	**$ 52,863**	**$ 65,412**
Adjustment to reverse Canadian GAAP restatement (viii)	–	2,597	(191)
Net earnings applicable to US GAAP	**$216,006**	**$ 55,460**	**$ 65,221**
Add (deduct) adjustments for:			
Interest on preferred securities and convertible debentures (i)	(19,186)	(17,238)	(17,268)
Capitalized interest (ii)	–	3,768	–
Depreciation and depletion (iii)	2,579	2,579	2,895
Mineral property costs (iv)	(6,047)	(6,188)	(6,806)
Pre-operating costs (v)	(200)	(2,578)	(6,232)
Hedges and derivative instruments (vi)	12,304	1,928	1,810
Realization of cumulative translation account (vii)	–	(1,585)	(3,273)
Earnings from Bruce Power (v) (vi)	(13,938)	(12,481)	–
Income tax effect of adjustments	10,121	14,116	14,542
Net earnings before cumulative effect of a change in accounting principle	**201,640**	**37,781**	**50,889**
Cumulative effect of a change in accounting principle (viii)	10,683	–	–
Net earnings under US GAAP	**212,323**	**37,781**	**50,889**
Hedges and derivative instruments (vi)	29,508	(6,203)	(22,253)
Foreign currency translation adjustments	(32,309)	859	1,509
Unrealized loss on available-for-sale securities (ix)	(1,058)	(334)	(8,300)
Comprehensive income under US GAAP	**$230,932**	**$ 32,103**	**$ 21,845**
Basic net earnings per share under US GAAP	**$ 3.78**	**$ 0.68**	**$ 0.92**
Diluted earnings per share under US GAAP	**$ 3.72**	**$ 0.68**	**$ 0.92**

(b) Comparison of balance sheet items determined in accordance with Canadian GAAP to balance sheet items determined in accordance with US GAAP:

(i) Balance Sheets

	2003		(Restated) 2002	
	Canadian GAAP	**US GAAP**	**Canadian GAAP**	**US GAAP**
	(Thousands)		(Thousands)	
Current assets	$ 678,278	$ 672,340	$ 650,043	$ 644,105
Property, plant and equipment	2,072,156	808,483	2,060,250	750,628
Mineral interests and other intangibles (x)	–	1,225,804	–	1,250,365
Long-term receivables, investments and other	608,977	593,520	257,523	237,013
Total assets	**$3,359,411**	**$3,300,147**	**$2,967,816**	**$2,882,111**
Current liabilities	$ 197,841	$ 188,983	$ 171,377	$ 167,258
Long-term debt	238,707	623,173	218,290	412,053
Provision for reclamation	150,444	150,444	159,344	155,036
Other liabilities (vi)	36,196	22,097	9,523	57,999
Deferred income taxes	501,674	487,388	530,625	485,447
	1,124,862	1,472,085	1,089,159	1,277,793
Minority interest	14,690	14,690	18,078	18,078
Shareholders' equity				
Preferred securities	158,022	–	193,763	–
Convertible debentures	226,444	–	–	–
Share capital	708,345	708,345	680,934	680,934
Contributed surplus	474,927	474,927	472,488	472,488
Retained earnings	665,377	597,219	494,341	418,546
Accumulated other comprehensive income				
– cumulative translation account	(13,256)	7,966	19,053	40,275
– available-for-sale securities (ix)	–	23,864	–	2,454
– hedges and derivative instruments (vi)	–	1,051	–	(28,457)
	2,219,859	1,813,372	1,860,579	1,586,240
Total liabilities and shareholders' equity	**$3,359,411**	**$3,300,147**	**$2,967,816**	**$2,882,111**

(ii) Components of accounts payable and accrued liabilities are as follows:

	2003		2002	
	Canadian GAAP	**US GAAP**	**Canadian GAAP**	**US GAAP**
	(Thousands)		(Thousands)	
Accounts payable	$120,436	$120,436	$ 84,906	$ 84,906
Taxes and royalties payable	29,444	29,444	26,340	22,221
Accrued liabilities	7,650	7,650	20,686	20,686
Total accounts payable and accrued liabilities	**$157,530**	**$157,530**	**$131,932**	**$127,813**

(c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following under US GAAP:

	2003	2002	2001
		(Thousands)	
Cash provided by operations	$ 224,540	$ 231,184	$ 95,568
Cash used in investing	$(441,540)	$ (72,006)	$(127,306)
Cash provided by (used in) financing	$ 242,973	$(134,819)	$ 32,344

(d) A description of certain significant differences between Canadian GAAP and US GAAP follows:

(i) Preferred Securities and Convertible Debentures

These instruments are classified as equity under Canadian GAAP and interest payments, on an after-tax basis, are classified as distributions of equity. Under US GAAP, they are classified as debt and interest payments are included in interest expense.

(ii) Capitalized Interest

Cameco's policy under both Canadian GAAP and US GAAP is to capitalize interest on expenditures related to construction of development projects actively being prepared for their intended use. Under US GAAP, a portion of the interest on the preferred securities, classified as debt under US GAAP, would be capitalized to development properties.

(iii) Writedown of Mineral Properties

Under both Canadian and US GAAP, property, plant and equipment must be assessed for potential impairment. In 2003 there is no longer any difference in the calculation of an impairment loss between Canadian and US GAAP. However, as a result of previous differences in the amounts of impairment losses recognized under US and Canadian GAAP, there is a difference in the amount of depreciation and depletion charged to earnings.

(iv) Mineral Property Costs

Consistent with Canadian GAAP, Cameco defers costs related to mineral properties once the decision to proceed to development has been made. Under US GAAP, these costs are expensed until such time as a final feasibility study has confirmed the existence of a commercially mineable deposit.

(v) Pre-Operating Costs

Under Canadian GAAP, pre-operating costs incurred during the commissioning phase of a new project are deferred until commercial production levels are achieved. After such time, those costs are amortized over the estimated life of the project. Under US GAAP, such costs are expensed as incurred as required by AICPA Statement of Position 98-5, Reporting on the Cost of Start-Up Activities. In 2000, these costs related to the production of uranium concentrates at the McArthur River mine and were charged to product inventory. Portions of this product inventory were sold in each of the years.

During 2003, $17,917,000 (2002 — $8,628,000) of costs related to the restart of two nuclear reactors at Bruce Power were considered to be startup costs required to be expensed under US GAAP.

(vi) Hedges and Derivative Instruments

During 2003, $12,304,000 was excluded from the assessment of hedge effectiveness. For amounts included in the balance sheet as accumulated other comprehensive income as at December 31, 2003, a gain of $250,000 (after tax) relates to the hedging of interest rate risk, a loss of $18,971,000 (after tax) relates to the hedging of gold price risk, and a gain of $38,625,000 (after tax) relates to the hedging of foreign exchange rate risk. Of these amounts, $14,890,000 (after tax) would be recorded in earnings during 2004 if market conditions remained unchanged. The impact on other comprehensive income for 2003 is $26,107,000 after consideration of the reversal of the 2002 amounts described below. During 2003, no net gains or losses from the hedging of net investments were realized.

During 2002, $1,928,000 was excluded from the assessment of hedge effectiveness. For amounts included in other comprehensive income as at December 31, 2002, a gain of $277,000 (after tax) relates to the hedging of interest rate risk,

a loss of $18,076,000 (after tax) relates to the hedging of gold price risk, and a loss of $10,658,000 (after tax) relates to the hedging of foreign exchange rate risk. During 2002, no net gains or losses from the hedging of net investments were realized.

Prior to July, 2003, $3,979,000 of gains related to Bruce Power energy contracts did not qualify for hedge accounting under US GAAP as the documentation required for hedge accounting was not contemplated at the time of entering into the contracts. The impact on other comprehensive income for 2003 is $3,401,000.

(vii) Realization of Cumulative Translation Account

Under Canadian GAAP, a proportionate amount of the cumulative translation account is recognized in earnings when a portion of the net investment in a subsidiary is realized. US GAAP does not allow for any of the cumulative translation account to be taken to earnings unless a portion of the investment has been sold or substantially liquidated.

(viii) Cumulative Effect of a Change in Accounting Policy

In 2001, the FASB issued Statement 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

For Canadian GAAP, the cumulative effect of the change in policy on the balance sheet at December 31, 2002 is to increase property, plant and equipment by $23 million, future income taxes by $8 million, liabilities by $4 million and opening retained earnings by $11 million. Under US GAAP no restatement is required.

(ix) Available-for-Sale Securities

Under Canadian GAAP, portfolio investments are accounted for using the cost method. Under US GAAP, portfolio investments classified as available-for-sale securities are carried at market values with unrealized gains or losses reflected as a separate component of shareholders' equity and included in comprehensive income. Cameco's investments in Energy Resources of Australia Ltd., Batavia Mining Ltd. (formerly Menzies Gold NL) and Tenke Mining Corp. are classified as available-for-sale. The fair market value of these investments at December 31, 2003 was $41,428,000 (2002 – $20,018,000). The cumulative unrealized gain at December 31, 2003 was $23,864,000.

(x) Mineral Interests and Other Intangible Assets

Under US GAAP, acquisition costs associated with mining interests are classified according to the land tenure position. Costs associated with owned mineral claims and mining leases where the company does not own the underlying land are classified as definite life intangible assets and amortized over the period of intended use.

For mineral claims with proven and probable reserves, amortization is taken on a unit of production basis resulting in no charge during the exploration and development phases.

(e) Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation establishes financial accounting and reporting standards for stock-based employee compensation plans. This statement defines a fair-value based method of accounting for employee stock options. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, which is similar to the method applied under Canadian GAAP and followed by Cameco prior to 2003. For periods prior to adoption, companies that continue to follow the intrinsic value based method must disclose pro-forma earnings and earnings per share information under the fair-value method.

Cameco has adopted the fair-value method of accounting for employee stock options with retroactive effect to January 1, 2003. Pursuant to new transitional rules related to accounting for stock-based compensation under Canadian GAAP, Cameco chose to record compensation expense for all employee stock options granted on or after January 1, 2003 with a corresponding increase to contributed surplus. Compensation expense for options granted during 2003 is determined based on the estimated fair values at the time of grant, the cost of which is recognized over the vesting periods of the respective options. This change in accounting policy has increased expenses by $2,439,000 in 2003.

Cameco has applied the pro forma disclosure provisions of the standard to awards granted prior to January 1, 2003. The pro forma net earnings attributable to common shares, basic and diluted earnings per share after giving effect to the grant of these options are:

	2003	2002	2001
		(Thousands)	
Net earnings for the year in accordance with US GAAP as calculated above	$212,323	$37,781	$50,889
Effect of recording compensation expense under stock options plans	(2,027)	(3,991)	(4,168)
Pro-forma net earnings after application of SFAS 123	$210,296	$33,790	$46,721
Pro-forma basic net earnings per common share after application of SFAS 123	$ 3.75	$ 0.61	$ 0.84
Pro-forma diluted net earnings per common share after application of SFAS 123	$ 3.68	$ 0.61	$ 0.84

In calculating the foregoing pro-forma amounts, the fair value of each option grant was estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001
Dividend	$ 0.50	$ 0.50
Expected volatility	20.0%	39.6%
Risk-free interest rate	5.0%	5.5%
Expected life of option	5 years	8 years
Expected forfeitures	17.0%	20.0%

(f) New Accounting Pronouncements

In 2002, the FASB issued Financial Interpretation 45 (FIN 45) that requires the recognition of a liability for the fair value of certain guarantees that require payments contingent on specified types of future events. The measurement standards of FIN 45 are applicable to guarantees entered into after January 1, 2003. For guarantees that existed at December 31, 2003, FIN 45 requires additional disclosures which have been included in these financial statements to the extent applicable to Cameco.

During 2003, the FASB issued Financial Interpretation 46 Revised (FIN 46 Revised) that requires the consolidation of certain entities that are controlled through financial interests that indicate control (referred to as variable interests). Variable interests are the rights or obligations that convey economic gains or losses from changes in the values of the entity's assets and liabilities. The holder of the majority of an entity's variable interests will be required to consolidate the variable interest entity. This change has not had any impact on these consolidated financial statements.

Summary of Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and, except as described in note 30, conform in all material respects with accounting principles generally accepted in the United States. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. The most significant estimates are related to the lives and recoverability of mineral properties, provisions for decommissioning and reclamation of assets, future income taxes, financial instruments and mineral reserves. Actual results could differ from these estimates. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

Consolidation Principles

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, Cameco includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

Cash

Cash consists of balances with financial institutions and investments in money market instruments which have a term to maturity of three months or less.

Inventories

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

Supplies

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

Investments

Investments in associated companies over which Cameco has the ability to exercise significant influence are accounted for by the equity method. Under this method, Cameco includes in earnings its share of earnings or losses of the associated company. Portfolio investments are carried at cost or at cost less amounts written off to reflect a decline in value that is other than temporary.

Property, Plant and Equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production. The carrying values of property, plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Non-Producing Properties

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation or depletion is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining life of the related assets.

The carrying values of non-producing properties are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Property Evaluations

Cameco reviews the carrying values of its properties when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of undiscounted future net cash flows. An impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Depreciation and Depletion

Conversion services assets, mine buildings, equipment and mineral properties are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For conversion services, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining, the amount of depreciation or depletion is measured by the portion of the mines' economically recoverable proven and probable ore reserves which are recovered during the period.

Other assets are depreciated according to the straight-line method based on estimated useful lives, which generally range from three to 10 years.

Research and Development and Exploration Costs

Expenditures for applied research and technology related to the products and processes of Cameco and expenditures for geological exploration programs are charged against earnings as incurred.

Environmental Protection and Reclamation Costs

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earnings and it is reduced by actual costs of decommissioning and reclamation. Cameco's estimates of reclamation costs could change as a result of changes in regulatory requirements and cost estimates. Expenditures relating to ongoing environmental programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings.

Employee Future Benefits

Cameco accrues its obligations under employee benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health-care costs. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Past service costs arising from plan amendments and net actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

Stock-Based Compensation

Cameco has a stock option plan that is described in note 20. Options granted under the plan on or after January 1, 2003 are accounted for using the fair-value method. Under this method, the compensation cost of options granted is measured at estimated fair value at the grant date and recognized over the vesting period.

For options granted under the stock option plan prior to January 1, 2003, no compensation expense was recognized when the stock options were granted. Any consideration paid on exercise of stock options is credited to share capital.

Cameco accounts for other stock-based compensation arrangements in accordance with the fair-value method of accounting.

Revenue Recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers. Third party fabricators process Cameco's products into fuel for use in nuclear reactors.

Cameco records revenue on the sale of its nuclear products to utility customers when title to the product transfers and delivery is effected through book transfer. Since nuclear products must be stored at licensed storage facilities, Cameco may hold customer-owned product at its premises prior to shipment of the product to third parties for further processing.

Cameco records revenue on the sale of gold when title passes and delivery is effected.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the issues to which they relate.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at rates in effect at the time of the transactions. The applicable exchange gains and losses arising on these transactions are reflected in earnings.

Foreign currency gains or losses arising on translation of long-term monetary items with a fixed or ascertainable life beyond the end of the following fiscal year are deferred and amortized to earnings over the remaining life of the item.

The United States dollar is considered the functional currency of most of Cameco's uranium and gold operations outside of Canada. The financial statements of these operations are translated into Canadian dollars using the current-rate method whereby all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the year. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on Cameco's net investment in these foreign operations, are recorded in the cumulative translation account component of shareholders' equity. Exchange gains or losses arising from the translation of foreign debt and preferred securities designated as hedges of a net investment in foreign operations are also recorded in the cumulative translation account component of shareholders' equity. These adjustments are not included in earnings until realized through a reduction in Cameco's net investment in such operations.

Derivative Financial Instruments and Hedging Transactions

Cameco uses derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Cameco formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Cameco also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Gains and losses related to hedging items are deferred and recognized in the same period as the corresponding hedged items. If derivative financial instruments are closed before planned delivery, gains or losses are recorded as deferred revenue or deferred charges and recognized on the planned delivery date. In the event a hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

Per Share Amounts

Per share amounts are calculated using the weighted average number of paid common shares outstanding.

EXHIBIT 3

Cameco Corporation

2003 Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION & ANALYSIS

ANALYSE THIS

This management's discussion and analysis (MD&A) is designed to provide investors with an informed discussion of Cameco's business activities.

How to use this MD&A

Cameco has made important changes to its MD&A this year, to take into account new requirements from the Canadian Securities Administrators and to reflect guidelines from the Canadian Institute of Chartered Accountants (CICA).

We have included new sections on Cameco's vision and mission and added some discussion about the company's key performance drivers and its capability to deliver results. In response to some investor requests, we have also grouped together all the discussion and analysis for each of our business segments. So, for instance, readers can find all the appropriate information on our conversion business in one place in the MD&A rather than having to go to separate sections on topics such as strategies and results.

For those less familiar with Cameco, the MD&A is ordered so that readers can first be introduced to the company, and then learn about its business environments, strategies, key performance drivers, capability to deliver, 2003 consolidated results, 2004 outlook, liquidity and capital resources and risk factors.

The following is a summary of the key sections of this MD&A.

Overview
Includes a description of Cameco's vision and mission — the goals and principles that drive the company 2

Cameco's Businesses
Discusses the nature of Cameco's businesses and reviews its overall business strategies 2

Growth Strategy
Discusses Cameco's strategy to grow the company and add shareholder value 2

Nuclear Industry Trends
Notes a number of evolving trends in the nuclear power industry that have the potential to affect Cameco's business environment for uranium and conversion services 3

Uranium Business
Reviews the business environment, strategies, key performance drivers, capability to deliver results, performance and outlook for Cameco's uranium business 5

Conversion Business
Same as above, for the conversion business 11

Nuclear Electricity Business
Same as above, for the nuclear electricity business 14

Gold Business
Same as above, for the gold business 17

Consolidated Results
Explains the company's consolidated 2003 performance. How did Cameco perform as a whole and why? 20

2004 Consolidated Outlook
Projects how the business might perform in the future and describes the factors the company believes may influence its results going forward 22

Liquidity and Capital Resources
Analyses Cameco's financial health and its ability to fund operations and growth 23

Business Risks and Uncertainties
Explains the uncertainties in the business and describes the factors that might cause results to vary from expectations 25

OVERVIEW

Vision

Cameco will be a dominant nuclear energy company producing uranium fuel and generating clean electricity.

Mission

Our core business is uranium fuel supply. Through our nuclear investments we participate in the generation of clean energy. Sustainable growth is realized by building upon our core business strengths through socially, environmentally and economically responsible conduct. In doing so, we will enhance our status as an investment, supplier and employer of choice, and continue to earn the support of the communities where we interact.

The key measures of our success will be a safe, healthy and rewarding workplace, clean environment, and supportive communities wherever we operate, together with solid financial performance, all reflected in a growing return to shareholders.

CAMECO'S BUSINESSES

Cameco is involved in four business segments:

- uranium
- conversion services
- nuclear electricity generation
- gold

The only significant commercial use for uranium is to fuel nuclear power plants for the generation of electricity. In recent years, nuclear plants generated approximately 16% of the world's electricity.

The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment and fuel fabrication. Once a commercial uranium deposit is discovered and reserves delineated, the regulatory approval to mine is secured and the mine is developed, uranium ore is mined and upgraded at a mill to produce uranium concentrates. Uranium mining companies sell uranium concentrates to nuclear electrical generating companies around the world on the basis of the U_3O_8 contained in the uranium concentrates. These utilities then contract with converters, enrichers and fuel fabricators to produce the required reactor fuel.

Cameco is the world's largest uranium producer with 550 million pounds of proven and probable reserves of uranium including controlling ownership of the world's largest high-grade reserves and low-cost operations in northern Saskatchewan. The company has four operating mines in Canada and the US, as well as two new mines ready to be developed in Canada and Central Asia, subject to regulatory and partner approval.

The company is an integrated uranium producer with refining and conversion facilities at Blind River and Port Hope located in Ontario, Canada. The products from these sites are used to produce fuel for nuclear power reactors. The Port Hope plant can produce 20% of the world's annual requirements for uranium hexafluoride (UF_6) to make fuel for light-water reactors. In addition, the Port Hope plant is the world's only commercial producer of natural uranium dioxide (UO_2) the fuel used by all Canadian-built Candu reactors.

Through its 31.6% ownership of the Bruce Power nuclear generating station located in southern Ontario, Cameco generates clean electricity. Cameco is the sole fuel supplier to the Bruce Power Limited Partnership that leases six operating nuclear power reactors, plus two reactors that are laid up. Bruce Power's operating plants have a combined generation capacity of 4,660 megawatts (MW), which is equivalent to the residential and industrial needs of a city the size of Toronto, Ontario.

Cameco is also a gold producer. In early January 2004, Cameco announced that it had reached an agreement with the Kyrgyz Republic to create a jointly owned Canadian gold company called Centerra Gold Inc. Cameco will own 67% and the Kyrgyz government (through its agency Kyrgyzaltyn) will own the remaining 33%. Centerra intends to undertake an initial public offering (IPO) in Canada and sell shares to the public. Cameco expects to continue to hold a majority interest in Centerra immediately following the IPO, which is planned for the second quarter of 2004.

Growth Strategy

Cameco's vision is to be a dominant nuclear energy company, producing uranium fuel and generating clean electricity. The main strategies of Cameco are:

- to maintain and leverage the company's competitive advantages in the uranium and conversion businesses,
- to continue vertical integration within the nuclear fuel supply, and
- to expand nuclear generation capacity.

The specific strategies in the uranium and conversion businesses, which provide the foundation of the company, will be



discussed in the sections dealing with those businesses.

In pursuing its plans for further integration in nuclear fuel supply and expansion in nuclear power generation, the company has a number of goals:

- to earn a sufficient rate of return and provide a basis for long-term profitability,
- to provide nuclear fuel supply where possible and link to core assets and competencies,
- to strengthen Cameco's foundation for further expansion in the nuclear fuel cycle,
- to achieve a reward commensurate with the risks taken, and
- to not unduly risk Cameco's overall viability.

The key strategies are:

- to pursue the most appropriate investments by considering investment opportunities in all aspects of the nuclear fuel cycle,
- to guide and support Bruce Power's growth strategy,
- to pursue partnering opportunities in new reactor construction and completions by leveraging fuel supply relationships, developing expertise in new fuel requirements, and enhancing relationships with industry leaders in reactor technology, and
- to seek active ownership to allow, where possible, participation in management and operational involvement of generation facilities.

In March 2004, Cameco announced that one of its wholly owned US subsidiaries signed an agreement to purchase a 25.2% interest in assets comprising the South Texas Project (STP) from a wholly owned subsidiary of American Electric Power (AEP) for $333 million (US). Included in this purchase price is $54 million (US) for fuel and non-fuel inventory.

STP consists of two 1,250-MW nuclear units located in Texas. The net



generating capacity from the 25.2% interest in STP is 630 MW. Each owner takes in kind and markets its pro-rata share of electricity generated by STP.

The balance of STP is held by Texas Genco (30.8%), San Antonio City Public Service Board (28%) and Austin Energy (16%). The interest being purchased by Cameco is subject to a right of first refusal in favour of these owners. The agreement is subject to regulatory approval and other closing conditions, and the final purchase price is subject to closing adjustments. The transaction is expected to close in the second half of 2004.

In addition, Cameco seeks to increase nuclear power's contribution to global energy supply through two major strategies:

- participate in related technologies that support nuclear energy development, and
- promote industry initiatives to position nuclear power as an important factor in addressing climate change by providing leadership and resources to key industry associations, developing government relationships and further enhancing Cameco's environmental and safety reputation.

Trends in the Nuclear Power Industry

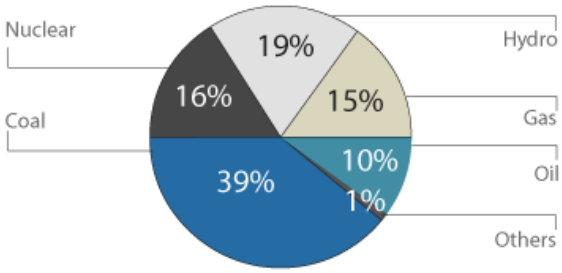
A number of evolving trends in the nuclear power industry have the potential to affect Cameco's business environment for uranium and conversion.

Nuclear Utilities Consolidate

Electric utilities in the US and Europe continued to restructure in 2003, albeit at a slower pace than in the previous five years. Consolidation of nuclear generating plant ownership can be

WORLD ELECTRICITY GENERATION

Nuclear's 16% share of world electricity generation is the third largest behind coal and hydro.



WORLD NUCLEAR REACTORS

	Reactors in Operation (as of 12/03)	Reactors under Construction (as of 12/03)	Nuclear Electricity (%) (as of 12/02)
Argentina	2	0	7
Armenia	1	0	41
Belgium	7	0	57
Brazil	2	0	4
Bulgaria	4	0	47
Canada	16	0	12
China	8	3	1
Czech Republic	6	0	25
Finland	4	0	30
France	59	0	78
Germany	18	0	30
Hungary	4	0	36
India	14	8	4
Iran	0	1	0
Japan	53	4	39
Korea (North)	0	0	0
Korea (South)	18	6	39
Lithuania	2	0	80
Mexico	2	0	4
Netherlands	1	0	4
Pakistan	2	0	3
Romania	1	1	10
Russia	30	5	16
Slovak Republic	6	0	65
Slovenia	1	0	41
South Africa	2	0	6
Spain	9	0	26
Sweden	11	0	46
Switzerland	5	0	40
Taiwan	6	2	21
Ukraine	13	2	46
United Kingdom	27	0	22
United States	103	1	20
World	437	33	16

expected to continue in response to market deregulation and result in increased cost efficiency and more concentrated customer buying power.

Capacity Factors

In 2003, the world gross average capacity factor of nuclear generation decreased for the first time in five years to 76%. This 2% decrease can largely be attributed to lower averages in Japan and the US. In Japan, long regulatory outages impacted the average. The US decrease of about 2% is primarily a result of extended plant shutdowns for capital improvements and inspections. These small year-to-year variances, both up and down, are not unexpected.

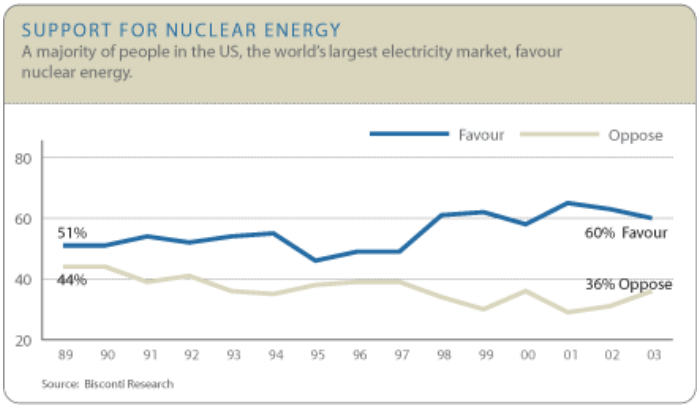
Existing Nuclear Plants Increase Capacity

Nuclear plants continue to increase generating capacity through uprates (the increase in the nominal level of output due to the installation of more efficient equipment and/or improved instrumentation). These uprates can increase a power plant's capacity between 2% and 20%. In most cases, an increase in capacity translates into increased demand for uranium concentrates and conversion services.

In 2003, US regulators authorized uprates at eight of the nation's 103 reactors, resulting in an increase in capacity of about 130 MW. In total, over the last 10 years, US uprates have resulted in the addition of about 3,500 MW capacity, and over the next five years, another 28 units are expected to increase capacity by about 1,900 MW. Nuclear reactors in other countries, including France, Germany, Spain, Sweden and Belgium, have increased or plan to increase capacity through uprates, a trend that Cameco expects to continue.

Nuclear Plant Licence Extensions

In 2003, 13 US nuclear units received 20-year licence extensions, bringing the total to 23 units since 2000. Operators



of an additional 40 units have applied or are expected to apply for extensions in the next few years. In total, these units represent more than 50% of the US nuclear generating capacity.

In Russia, three reactors have been granted life extensions, and more are planned, for a total of 12 out of 30 reactors. Other countries contemplating life extension of their reactors include France, the United Kingdom, and Ukraine.

New Nuclear Construction

Three new reactors began commercial operation around the world in 2003, two in China and one in the Czech Republic. In addition, construction began on a further two units, one in each of Romania and Japan, bringing the total under construction to 33 units.

In Canada, two of the six units mothballed in the latter part of the 1990s returned to service in 2003, a third in January 2004. This includes Bruce A units 4 and 3, which restarted in 2003 and 2004 respectively.

In Finland, the operator has applied for a construction licence and began site preparation for the country's fifth nuclear unit. The 1,600-MW reactor is expected to commence commercial operations in 2009.

In the US, three utilities have applied for Early Site Permits (ESPs) with the US Nuclear Regulatory Agency. These utilities have not committed to building new reactors, but the ESPs will simplify the process if they decide to proceed with a new build.

In the next two years, Argentina and Bulgaria are expected to restart construction of two units that were halted in the 1990s. In 2003, Slovenia and the Czech Republic also indicated they were considering new nuclear units.

Proposed US Senate energy legislation provides for the construction of an advanced reactor to demonstrate both electricity and hydrogen production at the Idaho National Engineering and Environmental Laboratory. This research project is proposed to move the US toward advanced nuclear energy and clean carbon-free hydrogen production.

Nuclear Power and Politics

In Europe, some reactors are scheduled to close in the short term as a result of political decisions. However, these countries still have to deal with the economic and environmental realities of replacing the electricity production of these plants, as well as the need to expand electricity supply to meet growing demand.

Germany experienced the first permanent closure of a reactor under the phase-out regime in late 2003. The next permanent closure is expected in 2005.

In Sweden, the government is expected to decide on a phase-out plan in 2004 and the timetable for the closure of one reactor, which has been delayed for several years. The Swedish public, in a November 2003 poll, indicated that 84% favour the continued use of nuclear, at least until existing reactor units are closed for either safety or economic reasons.

Cost of Nuclear Generation

In 2002, the latest year for which data is available, the direct costs of US nuclear electricity production, for the fourth consecutive year, continued to be lower than the cost of electricity from coal plants. Other than hydro, nuclear energy is the cheapest source of electricity in the US. This is largely attributable to the improved performance of US nuclear power plants.

URANIUM BUSINESS

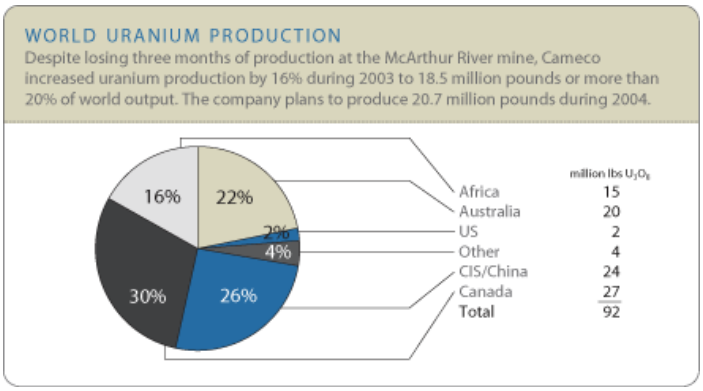
Worldwide Uranium Supply and Demand

The supply and demand fundamentals in the uranium market are in a period of significant change and uncertainty, and point to a need for more primary mine production, which will require new investment. Higher sustained prices are needed to encourage the required new investment in primary production. Cameco is positioned to benefit from this need for new supply through its control of more than 65% of currently planned new uranium production.

Uranium Demand

The nuclear power trends mentioned earlier are generally positive for nuclear energy. However, it is difficult to know whether these trends and the national debates on the long-term future of nuclear power will eventually result in more or less favourable conditions for the nuclear industry. Of note, however, is that

the two most populous countries, China and India, representing over one-half of the world's population, are



committed to increasing their share of nuclear generated electricity.

New construction, improved reactor operations, uprates and the extension of reactor lives make it highly likely that, at a minimum, the current demand for uranium will continue for a number of years. In the shorter term, perceptions that there are ample uranium supplies are beginning to change as excess inventories decline. This change has already begun to affect uranium prices as average spot prices rose during 2003 to $14.45 per pound from $10.20 a year earlier. As secondary supplies continue to decrease it is expected that uranium prices will more closely reflect the cost of primary supply, including a reasonable return on new investment.

Western world uranium consumption totalled about 155 million pounds in 2003. Cameco estimates that annual uranium consumption in the western world will reach 172 million pounds in 2013, reflecting an annual growth rate of 1% per year over the period. Demand in the former Soviet Union, Eastern Europe and China was about 25 million pounds in 2003 and is expected to increase to about 33 million pounds in 2013. In total, world uranium demand was 180 million pounds in 2003 and is expected to increase to 205 million pounds in 2013. In 2004, uranium demand is expected to remain about the same as 2003.

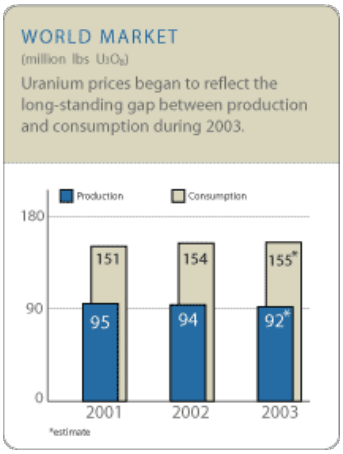
In 2003, five reactors started commercial operations, while five smaller reactors closed, maintaining the total number of reactors at 437 at the end of the year. The net gain in installed capacity was 3,200 MW in 2003.

Uranium Supply

The world uranium supply comes from primary mine production and a number of secondary sources.

Mine Production

World production in 2003 was about 92 million pounds U_3O_8, about the same as 2002. Western world production decreased 4% to about 68 million pounds, largely as a result of operating



difficulties at Cameco's McArthur River mine, but is expected to increase to about 75 million pounds in 2004.

In 2003, the world's major uranium producers were affected by the weakening US dollar. While most uranium is sold in US dollars, most of the world's production comes from outside the US. Uranium prices increased over 40% in 2003, but this increase was largely offset by the growing strength of other currencies against the US dollar. For example, in the same period, the uranium price only increased by 18% in Canadian dollars, 6% in Australian dollars, and 5% in South African rand. The countries affected by these currency changes produced about 59% of world production in 2003. As a consequence, additional price increases will be required to stimulate exploration and development of new production in these countries.

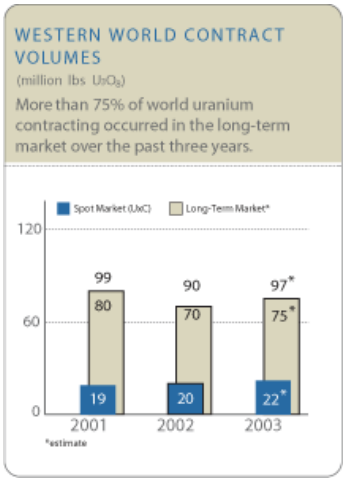
Secondary Sources

Secondary sources of supply consist of surplus military materials, excess inventory and recycled products. With the exception of recycled material, secondary supplies are finite. Recycled products are currently a high-cost fuel alternative and are used by utilities in a limited number of countries.

One of the largest sources of secondary supply is the uranium derived from Russian highly enriched uranium (HEU). As a result of the 1994 HEU agreement between the US and Russia to reduce the number of nuclear weapons, additional supplies of uranium have been available to the market. Under the 20-year agreement, weapons grade HEU is blended down in Russia to low enriched uranium (LEU) capable of being used in western world nuclear power plants.

Cameco, together with two other companies, will purchase an increasing quantity of the uranium feed component of the Russian LEU over the next few years. Uranium not purchased is returned to Russia and held in a

special stockpile for use in blending additional HEU or, to the extent the stockpile



exceeds 58 million pounds U_3O_8, for sale under certain conditions. Cameco and its partners also have options to purchase uranium from this stockpile. At the end of 2003, there were 44 million pounds U_3O_8 equivalent in the stockpile.

On February 12, 2004 Cameco, its partners and Tenex agreed in principle to allow Tenex:

- to return additional quantities of uranium to Russia, and
- the priority right to remove uranium from the stockpile to facilitate blending of HEU.

This would reduce the remaining quantity of uranium available for Cameco and its partners to purchase over the remaining life of the HEU agreement which will be completed in 2013.

In 2003, all scheduled LEU deliveries (24 million pounds U_3O_8 equivalent) were received in the US from Russia. For 2003, the aggregate US sales quota of uranium derived from Russian HEU was 12 million pounds and Cameco purchased almost 4 million pounds, which represents its prescribed share of the quota and some additional quantities. The US sales quota in 2004 is 14 million pounds.

The other large source of secondary supply is excess inventories. Prior to 1985, uranium mine production exceeded reactor requirements due, in large part, to government incentive programs that anticipated rapid growth of nuclear generated electricity. The result was a buildup of large inventories, both in the commercial and government sectors. Over the past 19 years, uranium mine production has been less than annual requirements and the company believes that most of these inventories have been consumed.

Cameco estimates the drawdown in 2003 of excess inventory held by western world utilities, producers, governments and other industry participants was in the order of 35 to 40 million pounds U_3O_8. Inventory drawdown in 2004 is expected to be somewhat lower than in 2003, reflecting the declining inventory availability, as noted above.

Uranium Markets

Utilities secure about 85 to 90% of their uranium requirements by entering into medium- and long-term contracts with uranium suppliers. These contracts usually provide for deliveries to begin one to three years after execution and continue for several years thereafter. In awarding contracts, utilities consider the commercial terms offered, including price, and the producer's record of performance and uranium reserves.

Prices are established by a number of methods including base prices adjusted by inflation indices, reference prices (generally spot price indicators but also long-term reference prices) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions that affect the price ultimately paid.

Utilities acquire the remaining 10 to 15% of their uranium requirements through spot and near-term purchases from producers and traders. Spot market purchases are those that call for delivery within one year. Traders generally source their uranium from organizations holding excess inventory, including utilities, producers and governments.

Uranium Spot Market

Spot market demand was steady throughout 2003 and totalled 22 million pounds for the year, up from 20 million pounds in 2002. Over 2003, the average spot price increased by more than 40% to close the year at $14.45 (US) per pound U_3O_8. The spot market represented about 14% of the western world's uranium consumption in 2003, a modest increase over the past several years.

Long-Term Uranium Market

The long-term contract price indicator published by TradeTech closed the year at $15.50 (US), a 44% increase during 2003.

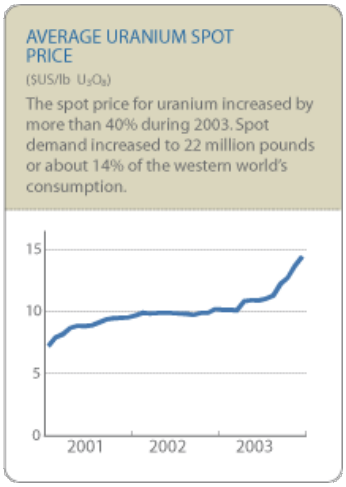
Long-term contracting in 2003 by western world utilities is estimated to have been more than 75 million pounds. This, combined with spot market sales of about 22 million pounds, represented only about 62% of western world consumption during the year.

URANIUM MARKET REVIEW

Year-End Prices

($US/lb U_3O_8) Market	**2003**	2002	% change
Spot uranium[1]	14.45	10.20	42
Long-term uranium[2]	15.50	10.75	44

[1]Spot prices are industry averages.
[2]TradeTech



Uranium Business – Key Performance Drivers

The major factors that drive Cameco's uranium business results are:

- prices – spot market and contract,
- volume – sales, production, purchases,
- costs – production and purchases,
- relationship between the US and Canadian dollars.

Prices – Spot/Long-Term

While Cameco generally does not sell uranium in the spot market, about 60% of the company's uranium under its long-term contracts is sold at prices that reference the spot market price near the time of delivery. The remaining 40% is sold at fixed prices or base prices escalated by an inflation index.

Most of the company's spot market-related contracts were entered into a number of years ago when the spot price was much lower than the year-end average price of $14.45 (US) per pound. These contracts generally contain ceiling prices. Due to the rapid increase in the uranium spot price in the latter part of 2003, a number of spot market-related contracts reached ceiling prices in the near term. The impact of ceiling prices became significant as the spot price moved into the $14.00 (US) range.

In addition, many of Cameco's fixed/base-price contracts were also entered into when the uranium spot price was considerably lower and some of the older, more favourably priced contracts are expiring. As a result, in 2004, the average realized price from these fixed-price contracts is expected to be lower than in 2003.

However, the impact of the current higher spot prices will benefit Cameco over the longer term as the company delivers uranium in the future under new contracts signed in the current environment.

Volume – Sales, Production, Purchases

Sales Volume

Cameco sold more than 35 million pounds of uranium in 2003, up 11% from 2002. In 2004, Cameco's uranium sales volumes are expected to total about 32 million pounds. For the period 2004 forward, Cameco has more than 100 million pounds of uranium committed over the following five years. About 75% of the sales commitments in that five-year period will be delivered during 2004 to 2006. Cameco's committed sales decline rapidly over this period and they will be replaced in the normal course with contracts reflecting prevailing market conditions.

Cameco sells more uranium than it produces from its mines. Cameco's sales commitments are filled by a combination of sources consisting of mine production, long-term purchase arrangements, spot purchases and inventory.

Production Volume

For 2003, Cameco's original uranium production target was 20.9 million pounds. Due to the water inflow incident at McArthur River, the 2003 production target was revised to 16.7 million pounds. Actual production in 2003 was 18.5 million pounds, above the company's revised target, and up almost 17% from 2002. The Inkai test mine in Kazakhstan also produced 169,000 pounds of uranium (Cameco's share) in 2003.

McArthur River production was down in 2003 compared to 2002 due to the water inflow incident, which resulted in the mine being closed for about three months to deal with the additional water. Rabbit Lake was in the process of restarting in 2002 and produced for the full year in 2003.

In 2004, Cameco's share of total mine production is expected to rise to 20.7 million pounds U_3O_8, up 2.2 million pounds or 12% from 2003 due primarily to the McArthur River mine returning to normal operations. The planned production of 12.9 million pounds at McArthur River/Key Lake represents Cameco's share of the maximum production level allowed for these operations under their current licences.

At Rabbit Lake, the Eagle Point underground mine is expected to produce 5.8 million pounds in 2004, from its remaining reserves of about

(Cameco's share 000 lbs U_3O_8)	2004 Plan	**2003 Actual**	2002 Actual
McArthur River/Key Lake	12,900	10,579	13,095
Rabbit Lake	5,800	15,928	1,143
Smith Ranch/Highland	1,200	1,201	887
Crow Butte	800	823	768
Total	20,700	18,531	15,893

12.5 million pounds U_3O_8. Prospects for additional reserves have been identified and surface drilling for targets near current workings as well as underground drilling to further explore a deeper target will begin in the first quarter of 2004.

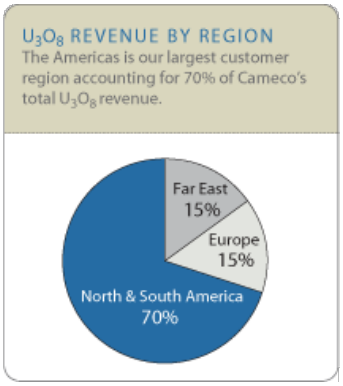
In the US, the in situ leach (ISL) operations at the Smith Ranch-Highland mine have planned production of 1.2 million pounds while Crow Butte is expected to produce 0.8 million pounds in 2004. Studies are underway to examine alternatives to increase production at these operations.

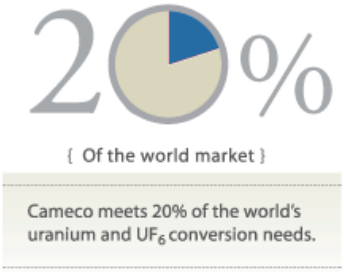
In addition, the Inkai test mine is expected to produce 0.4 million pounds of uranium in 2004 (Cameco's share is 60%).

It is anticipated that Inkai will produce 2.6 million pounds after it reaches full production. This annual production level will be examined to determine if it can be increased.

Purchases

Cameco also has purchase commitments for uranium products and services from various sources. At the end of 2003, these purchase commitments totalled 88 million pounds uranium equivalent (most is in the form of UF_6) over the period 2004 to 2013. Of this, 64 million pounds is from exercising options under the HEU commercial agreement. In early 2004, Cameco exercised options for an additional 4 million pounds under the HEU commercial agreement.





The majority of Cameco's purchase commitments are under long-term, fixed-price arrangements, reflecting prices much lower than the current spot price. These purchase commitments total about $1.1 billion (US) as at December 31, 2003. See note 24 to the consolidated financial statements.

Costs

Cameco's cost of supply is influenced by its mix of produced mine material and uranium purchases.

Uranium mine production costs are driven primarily by the grade and size of the reserves. McArthur River is the world's largest, high-grade uranium mine. Its ore grade averages 25% U_3O_8 which means it can produce more than 18 million pounds per year by extracting only 100 to 120 tonnes of ore per day. While Rabbit Lake's average ore grade of 1% U_3O_8 is much lower than McArthur River, it compares favourably to other operating mines in the world that are generally below 0.5%.

ISL extraction methods can make even lower grade orebodies commercially attractive. Worldwide, ISL mines typically recover uranium from orebodies with an average grade in the 0.1% U_3O_8 range. Cameco's cost of supply is influenced modestly by the two US ISL operations, as the production from the ISL operations accounts for a small percentage of its total primary output. For example, US ISL production is expected to account for about 10% of the company's planned primary output in 2004.

Purchased product also impacts Cameco's cost of supply. The majority of Cameco's purchase commitments are under long-term, fixed-price arrangements reflecting prices lower than the year-end average spot price of $14.45 (US) per pound.

Foreign Exchange

In 2003, the strengthening of the Canadian dollar against the US dollar affected Cameco's results. Cameco sells most of its uranium in US dollars, but the majority of its production comes from Canada. As such, the company's uranium sales are denominated mostly in US dollars, while its production costs are denominated primarily in Canadian dollars.

The strengthening Canadian dollar has emphasized the importance of the company's currency hedging policies and its drive toward geographic diversity of production. For instance, Cameco's US operations are not affected by the stronger Canadian dollar as their revenues and costs are both denominated in US dollars. In addition, prospects for production at Cameco's Inkai property in Kazakhstan remain good, as the Kazakh government has managed its currency exchange rate so that it does not fluctuate too widely against the US dollar.

The company attempts to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. Thus Cameco is protected against declines in the US dollar in the shorter term.

In addition, Cameco has a portion of its annual cash outlays denominated in US dollars, including uranium and services purchases, which provides a natural hedge. While natural hedges provide cash flow protection against exchange rate fluctuations, the impacts on earnings may be dispersed over several fiscal periods and are more difficult to identify.

For 2003, $177 million (US) of Cameco's uranium and conversion revenue was hedged using currency



contracts at an average rate of $0.62. As of December 31, 2003, about 50% of 2004 uranium and conversion revenue was hedged using currency contracts at an effective rate of $0.68.

To the extent the company borrows in US dollars, this provides a hedge against its US revenue generating assets.

Uranium Strategies

Cameco's overall objective is to maintain and leverage its competitive advantage in uranium. In doing so, it strives to meet four major goals:

- to maintain its low-cost status,
- to protect and grow its market position,
- to improve supply flexibility, and
- to optimize its contract portfolio.

There are a number of key strategies the company uses to achieve its goals:

Maintain its low-cost status:

- add low-cost reserves:
  - through exploration and acquisition, and
  - by validating the potential for competitive ISL production from existing properties.
- improve margins by:
  - optimizing ISL and conventional production,
  - gaining cost efficiencies through quality and business process improvements, and
  - pursuing fundamental productivity gains through technological development.

Protect and grow its market position:

- leverage industry relationships to participate in new production,
- ensure sustainable production by identifying and exploring for profitable uranium resources, and
- develop customer relationships and expand the range of services currently available while enhancing the company's reputation as a secure supplier.

Improve supply flexibility:

- accelerate Inkai production in Kazakhstan,
- bring Cigar Lake into production when appropriate,
- continue to pursue an international exploration program, and
- manage secondary supplies.

Optimize contract portfolio:

- position for market recovery by managing the company's portfolio of contracts to maximize profits for Cameco in light of future expectations of prices.

Capability to Deliver Results

Cameco has three major resources from which to draw on in order to deliver results:

- quality uranium assets,
- management of secondary supplies, and
- strong market position.

Quality Uranium Assets

Cameco has geographically diverse primary supply, with uranium mines and projects in Canada, the US and Kazakhstan. The company owns 550 million pounds of proven and probable uranium reserves, which include more than 400 million pounds of the world's richest uranium reserves at McArthur River and Cigar Lake. Cameco's share of reserves at McArthur River and Cigar Lake can produce as much electricity as would be generated by 2 billion tonnes of coal or 9 billion barrels of oil.

Another quality asset is the uranium exploration expertise that Cameco has retained even during the low uranium price cycles. The company's large and high-grade uranium deposits were all discovered through successful exploration over the past 20 years. Cameco has pursued a focused and effective exploration program to identify profitable uranium resources for the future to maintain the company's position as the world's largest uranium producer.

The company's uranium exploration efforts focus predominantly, but not exclusively, on prospects in the Athabasca Basin of northern Saskatchewan, Canada, and the Arnhem Land region in Northern Territory, Australia. In addition, Cameco and an exploration company called Pioneer Metals combined some assets in 2001 to form a junior uranium company called UEX Corporation. At December 31, 2003, Cameco's ownership interest in UEX was 29%.

In 2003, uranium exploration expenditures were about $13 million, up $1 million from 2002. In 2004, the planned uranium exploration expenditures are $15 million.

Manage Secondary Supplies

Cameco manages a significant portion of secondary supplies through a number of long-term agreements that allow the company to purchase uranium from dismantled Russian weapons and other secondary sources. These agreements give Cameco greater diversity of supply and ensure that this material enters the market in an orderly fashion.

Cameco generated a profit through its management of secondary supplies in 2003.

Strong market position

Cameco supplies about 20% of the world's uranium demand. The company's market position allows it to purchase uranium in the spot market when prices are low, adding to its profits and providing support for weak markets.

Uranium Business Results

Cameco's uranium business consists of the McArthur River, Key Lake and Rabbit Lake mine/mill operations in Saskatchewan, two ISL mines in the US, the Inkai ISL test mine in Kazakhstan, the Cigar Lake development project in Saskatchewan and uranium exploration projects located primarily in Canada and Australia.

Revenue

In 2003, revenue from the uranium business rose by 9% to $570 million from $524 million in 2002 due to an 11% increase in sales volume. For the second consecutive year, Cameco delivered a record quantity of uranium concentrates. The average realized selling price was 2% lower than 2002 as the influence of higher spot prices in the second half of the year was offset by a less favourable foreign exchange rate and lower realized prices on fixed-price contracts.

Cost of products and services sold

In 2003, the cost of products and services sold was $395 million compared



The average spot price for uranium increased more than 40% to $14.45 (US) per pound during 2003.

to $345 million in 2002, an increase of 14% due to the higher volume sold and rehabilitation costs of $26 million at McArthur River related to the water inflow incident. Excluding these costs for McArthur River in 2003 and Rabbit Lake's care and maintenance costs of $8 million in 2002, the unit cost of sales decreased by 2% compared to 2002, primarily as a result of a $7 million royalty recovery recorded in 2003.

Depreciation, depletion and reclamation

In 2003, depreciation, depletion and reclamation (DD&R) charges were $92 million compared to $86 million in 2002, an increase of $6 million due to the higher volume sold. On a per unit basis, costs rose by about 3% due to increased deliveries of Rabbit Lake material, which carries a relatively high DD&R charge.

Gross profit

In 2003, gross profit from the uranium business amounted to $84 million compared to $93 million in 2002, a decrease of $9 million or 10%. This decline was attributable to rehabilitation costs at McArthur River, partially offset by the 11% increase in deliveries of uranium concentrates. Earnings before taxes from the uranium business decreased by $13 million in 2003 and the profit margin declined to 15% from 18% in 2002. Excluding the rehabilitation costs at McArthur River, earnings before taxes were $97 million and the gross profit margin was 17%.

2004 Outlook for Uranium

In 2004, Cameco's uranium revenue is projected to decline by about 5% compared to 2003 as the result of a 10% decline in sales volume. This decline in sales volume reflects Cameco's plan to decrease the amount of uranium purchased on the spot market for resale. A modest improvement in realized price is expected to partially offset the impact of the decline in volume. Cameco expects its average realized price in Canadian dollars will increase by about 5% in 2004 even after an expected negative impact of an anticipated 5% decline in the US/Canadian dollar exchange rate.

Uranium margins are expected to be stronger than in 2003 due to the higher average price and lower costs. In 2003, the gross profit was burdened by the costs associated with the remediation of the McArthur River mine following a water inflow problem.

CONVERSION BUSINESS

Conversion Demand

The demand for uranium hexafluoride (UF_6) conversion services is directly linked to the level of electricity generated by light water nuclear power plants. The demand for uranium dioxide (UO_2) conversion services is linked to the level

URANIUM BUSINESS HIGHLIGHTS

	2003	2002	% Change
Revenue ($ millions)	570	524	9

Gross profit ($ millions)	84	93	(10)
Gross profit %	15	18	(17)
Earnings before taxes ($ millions)	71	84	(15)
Sales volume (million lbs U_3O_8)	35.4	31.9	11
Production (million lbs U_3O_8)	18.5	15.9	18

of electricity generated by Candu heavy water nuclear power plants.

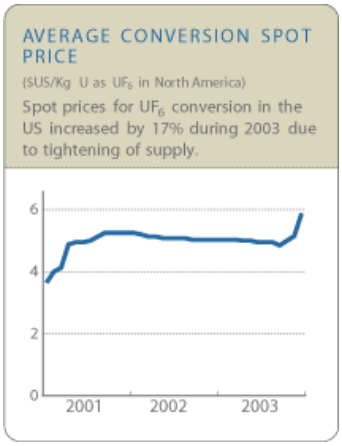
Western world demand for UF_6 and natural UO_2 conversion services was estimated to be approximately 58,200 tonnes of uranium in 2003. It is estimated that this demand will increase to approximately 65,700 tonnes of uranium by 2013. In 2003, demand in the former Soviet Union, Eastern Europe and China was about 9,400 tonnes of uranium and is expected to increase to about 12,400 tonnes of uranium by 2013. In 2004, conversion demand is expected to remain about the same as in 2003.

Conversion Supply

The western world UF_6 conversion industry consists of Cameco and three other commercial producers with an annual capacity of about 45,000 tonnes of uranium. Cameco's annual UF_6 conversion capacity constitutes approximately 28% of western world capacity.

In 2001, British Nuclear Fuels Limited (BNFL), with annual conversion capacity of about 6,000 tonnes, announced that it would halt production of UF_6 in 2006. With the announcement, BNFL ceased the marketing of UF_6 conversion services and sold its uncommitted UF_6 production to Cameco.

In addition, supplies are available from secondary sources including excess



western inventories, Russian inventory sales in the form of low enriched uranium, Russian re-enriched depleted tails in the form of UF_6 and Russian and US uranium derived from dismantling nuclear weapons.

Russia supplies most of the requirements of the former Soviet Union and Eastern Europe in the form of low enriched uranium.

Cameco is the only commercial supplier of conversion for natural UO_2 customers in the world.

Conversion Markets

Utilities contract more than 90% of their UF_6 conversion services through medium- and long-term contracts, purchasing the remainder on the spot market. Cameco is the only commercial supplier of ceramic grade UO_2 for Candu reactors operated in Canada. Cameco also exports UO_2 to South Korea for its Candu reactors and to the US and Japan for use as blanket fuel in boiling water reactors.

Spot/Long-Term Conversion Market

Due to tightening of supply, spot and long-term prices for UF_6 rose in 2003.

Spot prices for UF_6 conversion services in the US market increased by 17% during 2003 and in the European market the spot price rose by 10%.

The published long-term contract price indicators closed the year at $6.00 (US) KgU as UF_6 for North American delivery and $6.75 (US) for European delivery, a 15% and 14% increase respectively.

Conversion prices are expected to remain firm in 2004, as the tight supply situation is likely to continue in 2004.

Conversion Business – Key Performance Drivers

The major factors that drive Cameco's conversion business results are:

- prices – spot and long-term,
- volume – sales, production and purchases,
- costs – production and purchases, and
- relationship between the US and Canadian dollars.

Prices – Spot/Long-Term

Cameco sells its conversion services directly to utilities located in many parts of the world primarily through medium- and long-term contracts. Going forward, about 90% of contract commitments, in excess of 50,000 tonnes, have pricing terms that are fixed- or base-price escalated. The remaining 10% reference the spot price near the time of delivery.

Year-End Prices $US/lb U_3O_8 Markets	**2003**	2002	% Change
Spot UF_6 conversion[1]			
North America	5.88	5.03	17
Europe	6.75	6.13	10
Long-term UF_6 conversion[2]			
North America	6.00	5.20	15
Europe	6.75	5.90	14

[1]Spot prices are industry averages.

[2]TradeTech

Volumes – Sales, Production, Purchases

Sales Volume

Cameco sold 16,747 tonnes of uranium conversion services in 2003, up 10% from 2002. In 2004, Cameco's conversion volume is expected to total about 16,000 tonnes uranium, 4% less than in 2003.

Production Volume

At Cameco's Port Hope facilities, conversion production totalled 13,273 tonnes uranium in 2003, up 7% from 2002. In 2004, production is expected to be about 12,400 tonnes, 6% less than in 2003.

Purchase Volume

Cameco also has purchase commitments, which primarily reflect the HEU conversion component, re-enriched tails product and the company's agreement to purchase BNFL's excess production until shutdown of BNFL's plant. As noted in the uranium business section, Cameco's purchase commitments over the period 2004 to 2013 total about 88 million pounds uranium equivalent (or more than 34,000 tonnes U equivalent), most of which is in the form of UF_6.

Costs

Cameco's cost of supply is influenced by its mix of production and purchases. Conversion operating costs are primarily fixed with the largest component being labour. The largest variable operating cost is for anhydrous hydrogen fluoride.

The majority of Cameco's purchase commitments are under long-term, fixed-price arrangements reflecting prices lower than the current spot prices.

Foreign Exchange

The majority of the company's conversion products are sold in the US and sales are denominated in US dollars, while production costs are incurred in Canada and denominated in Canadian dollars. As a result, the strengthening of the Canadian dollar against the US dollar in 2003 negatively affected Cameco's results.

A discussion about Cameco's hedging program can be found in the uranium business section under the heading "Foreign Exchange".

Conversion Strategies

Cameco's objective is to maintain and leverage its competitive advantage in conversion services. In doing so, it strives to meet four major goals:

- to maintain its low-cost position,
- to protect and grow its market position,
- to improve supply flexibility, and
- to optimize contract position.

The following are the key strategies the company uses to achieve its goals:

- to improve margins by gaining cost efficiencies through quality and business process improvements and pursuing productivity gains through technological development,
- to grow market share through product diversification to meet changing nuclear fuel requirements,
- to optimize capacity utilization in preparation for BNFL's exit from the conversion market,
- to position for market recovery by managing the company's portfolio of contracts to maximize profits for Cameco in light of future expectations of prices, and
- to manage secondary supplies.

Capability to Deliver Results

A key competitive advantage for Cameco lies in its ability to provide both uranium and conversion services, allowing it to benefit from synergies of offering combined purchasing for the first two fuel components of nuclear fuel supply.

The Port Hope conversion facility currently supplies natural UO_2 powder for the manufacture of fuels for Candu reactors operating in Canada and other countries. The market for UO_2 is changing, at least partially, due to the planned introduction of slightly enriched uranium (SEU) in place of the natural uranium dioxide. SEU is a uranium dioxide powder that has an enrichment level up to 2.5% U-235, and is the primary uranium component of a new type of fuel that is proposed for use in some Candu reactors. Cameco's technology development group developed the process to produce SEU, providing the company with an opportunity to capitalize on a changing market.

Initially the SEU will be produced for use in Bruce Power's B reactors as part of a power uprate project that is expected to add about 400 megawatts of power (an increase of 9% over Bruce Power's current capacity) to Ontario's electricity grid. It is expected that SEU fuel will be used in the next generation of Candu reactors called the advanced Candu reactor (ACR) designed by Atomic Energy of Canada Ltd.

In 2003, Cameco has advanced the SEU project through the first stage of the regulatory process by filing a project proposal and receiving the approved environmental assessment (EA) guidelines from the Canadian Nuclear Safety Commission (CNSC). In 2004, important project milestones include completing and submitting the EA, completing the engineering design and preparing the Port Hope site for the construction of the SEU blending facility. Demonstration fuel bundles are to be placed in the Bruce B reactors in late 2004 or early 2005. The SEU powder for these bundles will be produced at the Port Hope facility. Approval for preparation of limited quantities of these bundles has already been obtained.

The total annual quantity of SEU produced will depend on future market development. The SEU product would replace a limited volume of the current natural product sales.

CONVERSION BUSINESS HIGHLIGHTS

	2003	2002	% Change
Revenue ($ millions)	142	137	4
Gross profit ($ millions)	40	44	(10)
Gross profit %	28	32	(13)
Earnings before taxes ($ millions)	38	41	(7)
Sales volume (million kgU)	16.7	15.3	10
Production (million kgU)	13.3	12.4	7

Conversion Business Results

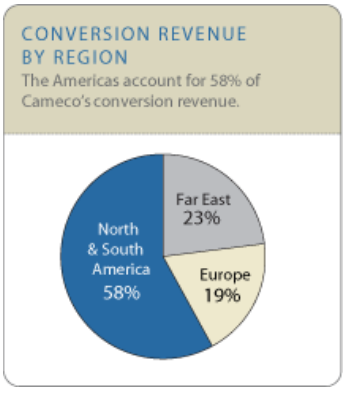
Cameco's conversion business consists of the uranium refining and conversion facilities located in Ontario.

Revenue

In 2003, revenue from the conversion business rose by 4% to $142 million from $137 million in 2002 due to a 10% increase in sales volumes. The realized selling price declined by 4% due largely to changes in foreign exchange rates. Record annual conversion sales of 16,747 tonnes were achieved.

Cost of products and services sold

In 2003, the cost of products and services sold was $92 million compared to $83 million in 2002, an increase of 11% due to the higher sales volume. The unit cost of product sold rose by 1% due to an increase in the cost of purchased conversion services, which more than offset a reduction in the unit cost of produced conversion. In 2003, Cameco's unit cost of produced conversion declined as record production of 13,273 tonnes was achieved.



Depreciation, depletion and reclamation

In 2003, depreciation, depletion and reclamation (DD&R) charges were unchanged at $11 million. In spite of the higher deliveries, total DD&R was unchanged compared to 2002 as sales in 2003 included a higher proportion of purchased conversion.

Gross profit

In 2003, gross profit from the conversion business amounted to $40 million compared to $44 million in 2002. The gross profit margin for the conversion business declined to 28% from 32% due to a lower average realized price.

2004 Outlook for Conversion

At Port Hope, conversion production is expected to be about 12,400 tonnes, a decline of 6% compared to 2003 output due to an anticipated decrease in sales volume in 2004.

Revenue from the conversion business is anticipated to be about 5% lower than in 2003 due primarily to a 4% decline in sales volume. A modest decrease in realized price is also anticipated as a result of the expected continuing decline in the US dollar. Conversion margins are projected to decline compared to 2003, as the unit cost of conversion production is likely to increase as a result of lower expected output. The unit cost of purchased conversion is also expected to rise as lower-cost sources of supply are diminished.

NUCLEAR ELECTRICITY BUSINESS

Cameco has a 31.6% interest in the Bruce Power Limited Partnership. Bruce Power's business is the generation and sale of electricity into the Ontario wholesale market. Bruce Power generates electricity from the four Bruce B and two Bruce A nuclear-powered units. The Bruce B nuclear units and the two recently restarted Bruce A units have capacity to supply about 20% of Ontario's electricity needs.

In addition to the carrying value of its investment in Bruce Power, Cameco has provided certain financial assurances on behalf of the partnership. Cameco's maximum exposure under these arrangements is $274 million and at December 31, 2003, the actual exposure under these assurances was $191 million. See note 19 to the consolidated financial statements.

Cameco has extended a loan to the partnership in the amount of $75 million. The loan is due February 14, 2008 and bears interest at a rate of 10.5% per annum. At December 31, 2003, the entire amount was outstanding.

Cameco has entered into fuel supply agreements with Bruce Power for the procurement of the fabricated fuel. Under these agreements, Cameco will supply uranium and conversion services and finance the purchase of fabrication services. Contract terms are at market rates and on normal trade terms. During 2003, sales of uranium and conversion services to Bruce Power amounted to approximately 3% of Cameco's total revenue. At December 31, 2003, amounts receivable under these agreements amounted to $30 million.

Ontario Electricity Market

The Ontario government deregulated its electricity market in May 2002 to encourage innovation and investment in new generation capacity. Seven months

later, the province froze rates for retail (residential and small business) customers at 4.3 cents per kilowatt hour (kWh) to shelter consumers from high prices. The wholesale market, where Bruce Power sells all of its electricity, continues to operate free of price regulation.

Late in 2003, the newly elected Liberal government in Ontario introduced the Ontario Energy Board Amendment Act 2003, which will remove the 4.3¢/kWh price freeze for the retail market. As of April 1, 2004, an interim-pricing plan is expected to be implemented. The first 750 kWh of a customer's consumption will be priced at 4.7¢/kWh and monthly consumption above that level will be priced at 5.5¢/kWh. The Ontario government stated that this structure will remain in place until the independent regulator, the Ontario Energy Board, develops a clear and transparent mechanism for setting prices, to be implemented as soon as possible, but no later than May 1, 2005. The interim pricing structure does not distinguish between commercial and residential users; rather it distinguishes between consumption patterns.

These regulatory changes have not had as yet a direct impact on the price in the wholesale electricity market into which Bruce Power sells its output. However, the volume of medium- and long-term transactions in the wholesale electricity market has dramatically decreased and the regulatory changes have increased uncertainty for generators like Bruce Power.

Nuclear Electricity Business – Key Performance Drivers

The major factors that drive Bruce Power's results are:

- prices,
- volume, and
- costs.

Prices

Bruce Power earnings are significantly affected by fluctuations in electricity spot market prices, which in turn are affected by supply (temporary generating station shutdowns) and demand (mainly driven by weather).



Electricity generated from Cameco's uranium powers 11% of US households.

To reduce its exposure to fluctuations in spot market prices, Bruce Power has a portfolio of fixed-price sales contracts. About 65% of Bruce Power's output was delivered into fixed-price contracts during 2003 compared to 69% in 2002.

Volume

Output is affected by shutdowns, both those that are planned (for maintenance) and those that are unplanned (such as the August 14, 2003 blackout in Ontario).

Bruce Power attempts to achieve high output through effective maintenance programs, as well as various investments that can help secure and improve output. Since about 95% of Bruce Power's costs are fixed, volume improvements are directly reflected in financial performance.

Costs

Bruce Power's operating costs in 2003 totalled $853 million ($35 per megawatt hour (MWh)) compared to $750 million ($36 per MWh) in 2002, primarily reflecting increased maintenance costs for the Bruce B reactors and operating costs for Bruce A unit 4 in November and December, after it was brought back into production. Bruce Power continually strives to control its costs through effective management of routine maintenance programs and investments intended to improve operating performance.

Bruce Power Strategies

Operational

Bruce Power plans to improve the operating efficiency of the Bruce reactors. In 2003, the capacity factor achieved was 85%. While it is expected to decline to approximately 80% in 2004 due to a number of planned maintenance outages, the long-term goal is to reach a capacity factor of 90%.

Because about 95% of Bruce Power's operating costs are fixed, the more output produced, the lower the unit costs.

Growth

Bruce Power will examine the feasibility of restarting Bruce A units 1 and 2 to serve Ontario's growing electricity needs. The study will include a technical inspection of these reactors and an assessment of the cost to upgrade them to current industry operational safety standards.

Cameco believes that looking at restarting these two units is a logical first step in determining if Bruce Power can play a growing role in securing Ontario's future energy needs. The study will determine if an adequate return on investment can be achieved.

The study will also establish what improvements are needed to extend the lives of the four Bruce B reactors and the two operating Bruce A reactors, which are scheduled to be taken out of service over the next 15 years.

Bruce Power will also examine the feasibility of building one or more advanced Candu reactors currently being developed by Atomic Energy of Canada Limited. Bruce Power has a well-established infrastructure. The Bruce site was designed to accommodate expansion and as such is ideal for potential new reactors.

Capability to Deliver Results

Bruce Power has an experienced executive team leading more than 3,500 highly skilled employees. Together they achieved an 18% increase in output and a 13% increase in the capacity factor in 2003 while managing the restart of two long-idled reactors. Bruce Power has invested, and continues to invest, substantial amounts to improve reactor output and reliability.

At the same time, Bruce Power's ongoing emphasis on safety was reflected in its accident frequency of only 0.12 lost-time injuries for every 200,000 hours worked in 2003. That was significantly better than the company's ambitious target of 0.20.

Bruce Power's cash flows provide a source of funds to make investments to improve its operational performance and expand its capacity.

Electricity Business Results

Revenue

Bruce Power's revenue in 2003 totalled $1,208 million, up 31% compared to 2002. Bruce Power has contributed $108 million of pre-tax earnings to Cameco's results ($72 million after tax or $1.29 per share) compared to pre-tax earnings of $16 million in 2002 ($11 million after tax or $0.19 per share).

Operation

For 2003, Bruce Power achieved a total capacity factor of 85% compared to 75% in 2002. Bruce Power produced 24.5 TWh, an 18% increase over the same period last year. In 2002, Bruce Power carried out a series of major planned outages to prepare the four Bruce B reactors for better long-term performance.

Electricity Prices

For 2003, the Ontario electricity spot price averaged about $54 per MWh. During this period, Bruce Power's realized price averaged $48 per MWh from a mix of contract and spot sales, a 12% increase over the previous year.

Costs

The 2003 cost per MWh was lower compared to 2002 because about 95%

ELECTRICITY BUSINESS HIGHLIGHTS

($ millions)	**2003**	2002
Revenue	1,208	919
Operating costs	853	750
Earnings before interest and taxes	355	169
Interest	69	63
Earnings before taxes	286	106
Output (terawatt hours)	24.5	20.8
Capacity factor[1] (%)	85	75
Realized price ($/MWh)	48	43

1 Capacity factor for a given period represents the amount of electricity actually produced for sale as a percentage of the amount of electricity the plants are capable of producing for sale.

CAMECO'S EARNINGS FROM BRUCE POWER

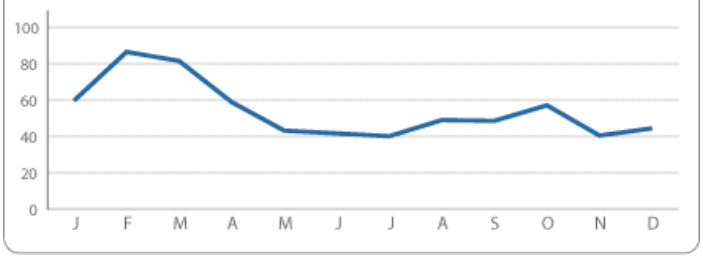
($ millions)	**2003**	2002
Bruce Power's earnings before taxes (100%)	286	106
Cameco's share of earnings before adjustments	77	16
Adjustments:		
Sales contract valuation[1]	20	–
Interest capitalization	12	2
Interest income on loan to Bruce Power	7	–
Fair value increments on assets[1]	(8)	(2)
Earnings from Bruce Power	108	16

1 See note 19 to the consolidated financial statements

ONTARIO ELECTRICITY SPOT PRICE

(monthly average $/MWh)

The volume of medium- and long-term transactions completed in Ontario's wholesale electricity market during 2003 declined due to uncertainty over the direction of government policy.



of Bruce Power's total operating costs are fixed and the output was higher year-over-year. Interest cost of $69 million included interest on the long-term loans from Bruce Power partners and interest costs attributable to the capital lease.

Bruce Power has spent about $350 million on the restart of the two Bruce A units in 2003, bringing the total project capital cost to $724 million, which includes $4 million in post-synchronization operational losses that were capitalized during the commissioning phase. Bruce Power spent an additional $159 million on capital expenditures at Bruce B, the majority of which was for safety systems and power uprate programs.

2004 Outlook for Electricity

Output

The targeted capacity factor in 2004 for the six Bruce reactors is about 80% compared to 85% in 2003, which reflects planned maintenance outages for the Bruce A and B reactors during the year. In addition, the vacuum building for Bruce B will be tested in the fall, which will require all four B reactors to be taken offline for about a month. This vacuum building test is a regulatory requirement. Results from Bruce Power are projected to decline modestly in 2004 compared to 2003 due primarily to higher costs resulting from the increased level of planned outages.

Capital expenditures

In 2004, Bruce Power's capital expenditure program for the two A and four B reactors is expected to total about $280 million, plus an additional $120 million for sustaining capital and site service support areas.

Bruce Power capital expenditures are expected to average about $200 million for each of 2005 and 2006. This excludes sustaining capital and expenditures for site service support areas, which are expected to average about $120 million per year.

These capital projects will provide higher output for the Bruce B units, deliver the expected operational life for Bruce A unit 4 and increase overall efficiency for the site. These projects are the fundamental building blocks for enhancing operational performance and will allow Bruce Power to supply more power to the growing Ontario electricity market.

Funding needs for these projects will depend on the electricity price and the operational performance of the Bruce reactors. Cameco does not expect it will be required to contribute to the funding of these projects.

GOLD BUSINESS

In early January 2004, Cameco announced that it had reached an agreement with the Kyrgyz Republic to create a new jointly owned Canadian gold company called Centerra Gold Inc.

Under the agreement, Cameco subsidiaries will transfer their one-third interest in the Kumtor Gold Company (KGC) and additional gold-related assets to Centerra. The Joint Stock Company Kyrgyzaltyn (Kyrgyzaltyn), whose shares are held 100% by the Kyrgyz government, will transfer its two-thirds interest in KGC to the new gold company. Initially after the transfer of assets, Cameco subsidiaries will hold 67% and Kyrgyzaltyn will hold 33% of Centerra.

In conjunction with the transfer of gold assets, Centerra intends to undertake an initial public offering (IPO) in Canada and sell shares to the public. Cameco expects to retain a majority interest in Centerra immediately following the IPO. Kyrgyzaltyn also has the option to acquire an additional 2% of Centerra from Cameco for 30 days after Centerra is listed on the Toronto Stock Exchange (TSX).

Initially, Centerra's assets will include the following:

- 100% of KGC, owner of the Kumtor gold mine located in the Kyrgyz Republic,
- 100% of Kumtor Operating Company, operator of the Kumtor mine,
- 56% of AGR Limited (AGR), 95% owner of the Boroo gold mine located in Mongolia,
- 62% interest in the REN joint venture, an advanced exploration project located in Nevada, US, and
- 73% interest in the exploration licences for the Gatsuurt exploration property located about 35 kilometres from Boroo in Mongolia.

In addition, about $130 million (US) in loans previously advanced by Cameco subsidiaries to the Kumtor and Boroo gold mines will be contributed by Cameco in exchange for equity in Centerra.

Closing is targeted for the second quarter of 2004 and is subject to a number of conditions including:

- consent from a number of third parties, including certain financial institutions,

2004 BRUCE POWER CAPITAL EXPENDITURES (100%)

($ millions)	
Bruce B turbines/power uprate	160
Bruce A unit 4 steam generators (progress payment)	25
Infrastructure projects	95
Sub-total	280
Sustaining capital and site service support areas	120

Total	400

- Centerra entering into an underwriting agreement for an IPO of Centerra shares, and
- the conditional listing of Centerra shares on the TSX.

Cameco has negotiated a new agreement with the Kyrgyz government to ensure that a stable investment regime will be maintained in the Kyrgyz Republic for Centerra. The new agreement will take effect on closing. Centerra will have a 10-year tax stabilization period, during which the application of Kyrgyz tax legislation will not increase the tax burden on the Kumtor operation.

With an agreement to create Centerra, an offer will be made to the non-Cameco shareholders of AGR to exchange their AGR shares for Centerra shares.

Gold Market Review

Gold prices rose substantially again in 2003, ending the year 20% higher at $416 (US) per ounce. That followed a 25% increase in 2002. The average spot price in 2003 was $363 (US) per ounce, compared to $310 (US) per ounce in 2002.

A number of factors continue to support the strengthening gold price, including the US dollar weakness, geopolitical uncertainties and reductions in producer hedging. While years of lower gold prices have limited the development of new mines, higher prices are once again opening up investment in gold exploration and production companies.

Key Performance Drivers

The major factors that drive Cameco's gold business are:

- prices,
- volume,
- cost, and
- exploration.

Gold Prices

Realized prices are largely outside the control of Cameco, except through its gold hedging strategy, which the company is actively reducing. At the end of December 2003, Cameco Gold's operating companies' hedge positions totalled 478,300 ounces or about 12% of proven and probable reserves. These hedges are expected to yield an average price of about $326 (US) per ounce.

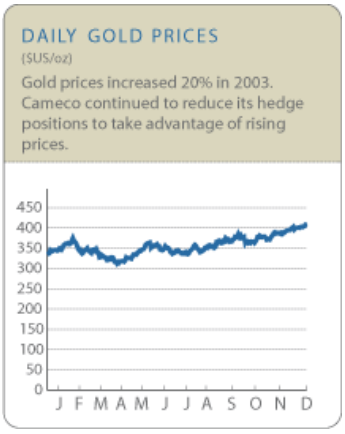
Volume/Cost

In 2003, 677,552 ounces of gold were poured at Kumtor compared to 528,550 ounces in 2002. Gold production at Kumtor was 28% higher than in 2002 due mainly to higher grade mill feed that averaged 4.5 grams per tonne (g/t) compared to 3.7 g/t in 2002 and an improved recovery rate of 83% compared to 78%. The ore grade and recovery were lower in 2002 due to a pit wall failure that occurred in July 2002 and forced the company to revise its mining plan. The total cash cost per ounce in 2003 was about $199 (US) calculated in accordance with the standards of The Gold Institute. The cash cost per ounce in 2002 was $216 (US).

In 2004, production at Kumtor is expected to be about 610,000 ounces representing an 10% decrease compared to 2003. This decline is due to the milling plan which calls for a mix of low-grade stockpiled ore and higher grade mine ore. As a result, a lower average millfeed ore grade of 4.1 g/t is expected, compared to 4.5 g/t in 2003. The unit cash cost is projected to increase to $220 (US) per ounce from $199 per ounce in 2003. Ore grade is expected to be lower in future years.

The unit cash costs referenced above include exploration costs and a management fee. Due to the restructuring of the gold business under Centerra, the cash unit operating costs will be adjusted to exclude exploration costs and the management fee for a couple of reasons.

First, the exploration costs have historically been nominal, with greater than 50% of the expenditures associated



with mining activities such as further ore body delineation and grade control, with the remainder related to extending the mine life. The Gold Institute Standard excludes the latter type costs from the standard unit cost calculation. As exploration expenditures are anticipated to increase in the coming years, and the focus of the exploration program changes to extending the mine life, it was determined that the expense should be identified separately and excluded from the unit cost calculation. The exploration expense accounted for about $0, $2 and $7 per ounce respectively of the $216, $199 and $220 unit cash costs.

Second, Cameco's wholly owned subsidiary Kumtor Operating Company earns a management fee for operating the Kumtor mine. As Centerra will soon own 100% of KOC and KGC after the restructuring, it is appropriate that the inter-company management fee now also be identified separately and excluded from Centerra's reported production costs. The management fee accounted for about $9, $8 and $7 per ounce respectively of the $216, $199 and $220 unit cash costs. Beginning in 2004, Centerra will report unit cash costs that exclude exploration costs and the management fee. See table on the next page for a breakdown of the costs.

At Boroo in Mongolia, commercial production was achieved March 1, 2004.

GOLD UNIT CASH COSTS

($US/oz)	2002	**2003**	2004 Estimated
Q4 Report	216	199	220
Exploration costs	(0)	(2)	(7)
Management fee	(9)	(8)	(7)
New cost	207	189	206

The cost of the project was about $75 million (US). Boroo production is expected to total about 210,000 ounces in 2004, at a cash cost of about $170 (US) per ounce.

Gold Exploration

In 2003, gold exploration expenditures decreased to $9 million from $10 million in the prior year due to the lower exchange rate. In 2003, approximately 70% of the total exploration expenditures were incurred in North America with the remainder relating to exploration activity in Central Asia.

Gold Strategies

Cameco has been a gold producer since its inception and, over the years, has assembled some quality gold properties. Cameco Gold Inc., a wholly owned subsidiary of Cameco, manages the company's gold activities from its head office in Toronto, Ontario. Cameco believes these assets are undervalued inside of Cameco, as they do not benefit from higher gold company valuations that apply in today's gold market. For that reason, Cameco has embarked on a strategy to unlock this value by packaging the gold assets in a single vehicle for public listing.

Cameco's partner in the Kumtor gold mine, the Kyrgyz government through its agency Kyrgyzaltyn, had elected to participate by contributing its interest, but the rapidly rising gold price in 2003 delayed implementing the strategy. At the end of 2003, the Kyrgyz government ratified an agreement. Assuming final agreements can be reached with all other critical parties and markets remain favourable, the newly named Centerra Gold Inc. plans to list on the Toronto Stock Exchange in the second quarter of 2004.

Capability to Deliver Results

Ability to Perform in Remote Environments

Cameco Gold, Centerra's majority owner, has a proven ability to deliver results by developing and operating properties in remote areas of the world. It has built expertise in managing relationships with local cultures and governments in Central Asia and in sourcing and training local manpower. Nonetheless, the management and training of local labour resources can be challenging as standards, customs and practices vary widely.

Access to Capital

Cameco Gold needs reasonable access to funds to undertake projects and acquisitions that allow for expansion of its assets and production. Cameco Gold, as a wholly owned subsidiary of Cameco, has been able to secure funds and financing for the development of its Kumtor and Boroo properties and the acquisition of its interest in AGR. Going forward, Centerra plans to become a stand-alone public company that expects to directly access the debt and equity markets for required capital.

Gold Exploration

Cameco Gold must find new gold reserves to extend the life of its mines and increase production. The company's exploration program is focused in proximity to its two existing producing properties and at the REN site in Nevada. As part of Cameco Gold's strategy to go public, it plans to increase its exploration efforts in 2004 and beyond as well as focus on potential acquisitions.

Gold Business Results

Revenue

In 2003, revenue from the gold business improved by 31% to $114 million (Cdn) from $87 million (Cdn) in 2002, reflecting a 35% increase in sales volume and an increase in the average realized selling price. Cameco's realized gold price increased to $334 (US) per ounce in 2003 compared to $300 (US) in 2002. The average spot market price for gold during 2003 was $363 (US) per ounce, up 17% from the average price of $310 (US) for 2002. KGC and AGR hedge certain price risk for future gold sales. At the end of 2003, KGC had in place forward sales on 278,300 ounces and AGR had in place

forward sales on 200,000 ounces.

Combined, these hedge positions represented about 12% of proven and probable gold reserves. These

GOLD BUSINESS FINANCIAL HIGHLIGHTS

	2003	2002	% Change
Revenue ($ millions)	114	87	31
Gross profit ($ millions)	40	9	344
Gross profit %	35	10	250
Earnings before taxes ($ millions)	32	(3)	–
Selling price ($US/oz)	334	300	11
Unit cash cost ($US/oz)	189	207	(9)
Sales volume (ounces)	234,864	174,394	35
Production (ounces)	225,851	176,183	28

hedges are expected to yield an average price of about $326 (US) per ounce.

Cameco has agreed to provide various levels of credit support up to $130 (US) per ounce to the counterparties of KGC and AGR which, based on the ounces hedged at December 31, 2003, could amount to $57 million (US) depending on the spot price of gold. At December 31, 2003, the actual exposure under these arrangements, reflecting the net mark-to-market losses, was $46 million (US).

Cost of products and services sold

In 2003, the cost of products and services sold was $52 million compared to $58 million in 2002, a decrease of $6 million due to a reduced Canadian/US dollar exchange rate in 2003. Gold production at Kumtor was 28% higher than in 2002 due mainly to higher-grade mill feed that averaged 4.5 g/t compared to 3.7 g/t in 2002 and an improved recovery rate of 83% compared to 78% in 2002. The ore grade and recovery were lower in 2002 due to the pit wall failure. Kumtor's cash cost per ounce was $199 (US) compared to $216 (US) in 2002. Please see table on the previous page for unit cost information.

Depreciation, depletion and reclamation

In 2003, depreciation, depletion and reclamation charges were $22 million, an increase of $2 million compared to $20 million in 2002 due mainly to the 28% increase in production. The effect of the higher production was largely offset by the reduction in the Canadian/US dollar exchange rate. On a unit basis, the depreciation rate declined to $65 (US) per ounce from $73 (US) in 2002.

Gross profit

In 2003, gross profit from the gold business amounted to $40 million compared to $9 million in 2002. The gross profit margin for gold was 35% compared to 10% in 2002.

2004 Outlook for Gold

Given the increase in planned total production from the Kumtor and Boroo mines, greater revenue is expected compared to 2003, assuming gold prices remain at current levels. This is independent of the planned IPO for Centerra, which is targeted for the second quarter of 2004.

CONSOLIDATED RESULTS

Consolidated Earnings

For 2003, net earnings attributable to common shares were $205 million ($3.65 per share), an increase of $161 million compared to $44 million ($0.78 per share) in 2002. These results include the effects of changes in Canadian federal and Ontario provincial tax laws. Together, the changes in the tax legislation allowed Cameco to recognize a non-recurring, non-cash reduction in deferred income taxes of $81 million ($1.45 per share) in 2003.

Excluding the tax adjustments, net earnings attributable to common shares in 2003 were $123 million ($2.20 per share) compared to $44 million ($0.78 per share) in 2002. This increase was attributable to higher earnings from Bruce Power and higher profits in the gold segment. These improvements were offset somewhat by lower earnings in the uranium segment and higher charges for interest and administration.

Excluding the tax adjustment, the effective rate for income taxes decreased to 33% in 2003 from 48% the year before as a higher proportion of earnings came from the gold operations in the Kyrgyz Republic which are subject to lower tax rates. Earnings from operations were $88 million compared to $84 million in 2002 and the aggregate gross profit margin remained at 20%.

Cash Resources

Operating Activities

In 2003, Cameco generated cash from operations of $246 million compared to $251 million in 2002. This does not include Cameco's pro rata interest in Bruce Power's operating cash flow of $117 million in 2003 compared to $28 million in 2002. Cameco accounts for this investment using the equity method and thus Bruce Power's operating cash flows are not consolidated with Cameco's. For further information, refer to note 19(c) of the consolidated financial statements.

Investing Activities

Cash used in investing activities increased to $448 million in 2003 from $74 million in 2002 due to the

QUARTERLY CONSOLIDATED FINANCIAL RESULTS

	2003					2002				
($ millions except per share amounts)	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**Year**
Revenue	103	220	232	272	**827**	124	195	158	271	**748**
Earnings from Bruce Power	17	49	36	6	**108**	(3)	(1)	12	8	**16**
Net earnings	37	105	33	30	**205**	5	12	7	20	**44**
– per share	0.66	1.87	0.59	0.53	**3.65**	0.09	0.20	0.11	0.38	**0.78**
Cash provided by operations	56	35	79	76	**246**	134	80	22	15	**251**
Cash dividends per share	0.15	0.15	0.15	0.15	**0.60**	0.125	0.125	0.125	0.125	**0.50**

additional investment in Bruce Power. Cameco paid $204 million for its incremental 16.6% interest and loaned an additional $75 million to Bruce Power. Expenditures for property, plant and equipment rose by $69 million compared to 2002 due to the development of the Boroo gold mine in Mongolia.

During 2003, Cameco received no principal repayments on its subordinated loan to KGC, the operator of the Kumtor open pit gold mine in the Kyrgyz Republic whereas in 2002, Cameco received $15 million (US) from KGC. The payments scheduled for 2003 were deferred as the result of a pit wall failure at the mine in 2002.

Financing Activities

During the year, cash used in investing activities exceeded operating cash flows by $202 million due to the acquisition of the additional interest in Bruce Power. Cameco financed this shortfall by issuing $230 million in convertible debentures.

Inventories

At the end of 2003, total product inventories amounted to $316 million, $24 million or 7% lower than the previous year-end. There was a reduction in the quantity of uranium inventory during the year as record deliveries exceeded production and purchases.





See note 3 to the consolidated financial statements.

Debt

At the end of 2003, total outstanding debt amounted to $243 million, an increase of $18 million compared to $225 million at the end of 2002. The net debt to capitalization ratio declined to 7% from 8%. If the preferred securities and the convertible debentures were accounted for as debt, the net debt to capitalization ratio would be 23%.

In December 2003, $20 million (US) (Cameco's share) of the Kumtor senior debt was repaid. See note 6 to the consolidated financial statements.

Convertible Debentures

The company increased its short-term commercial paper to help fund the February 2003 acquisition of a further 16.6% interest in Bruce Power. In September 2003, Cameco issued $230 million in convertible debentures. The net proceeds of approximately $223 million are being used to repay commercial paper as it matures. The company decided to put in place financing that better matched the long-term nature of the Bruce Power asset. In accordance with Canadian generally accepted accounting principles (GAAP), these debentures are reflected as equity on the company's balance sheet. See note 10 to the consolidated financial statements.

Corporate Expenses

Administration

In 2003, administration costs were $47 million, an increase of $5 million compared to 2002 due to a number of items including an expense for stock-based compensation and costs incurred for quality and business process improvements.

Effective January 1, 2003, Cameco changed its accounting policy for stock-based compensation opting to record a compensation expense for the fair value of stock options granted during the year. The total expense for 2003 amounted to $2.4 million, of which $1.9 million has been attributed to administration.

Interest and Other

Interest and other costs increased by about $7 million due to revaluation of US dollar denominated assets as a result of the strengthening Canadian dollar. In 2003, the company recognized foreign exchange losses of $4 million compared to gains of $2 million in 2002. See note 13 to the consolidated financial statements.

Income Taxes

In 2003, the federal government introduced amendments to the Canadian Income Tax Act which provide for a 7% reduction in the corporate tax rate on income from resource activities. The federal tax rate is declining from its previous level of 28% to 21% over a five-year period commencing in 2003. Under Canadian generally accepted accounting principles (GAAP), the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial statements in the period of substantial enactment. Accordingly, Cameco reduced its balance sheet provision for future income taxes and

recognized a one-time, non-cash income tax adjustment of $86 million ($1.54 per share) in the second quarter.

Also in 2003, the government of Ontario amended the provincial income tax laws to increase the corporate income tax rate to 14% effective January 1, 2004. Prior to this amendment, the tax rate was projected to decline from 11% in 2004 to 8% in 2007. As a result, Cameco increased its provision for future income taxes by $5 million ($0.09 per share).

Excluding these adjustments, income tax expense was $18 million greater than in 2002 primarily as a result of the significantly higher earnings from Bruce Power which are taxed at a rate of 34%. The effective tax rate on consolidated earnings was lower at 33% compared to 48% last year due to a higher proportion of earnings in the gold business.

Income tax expense includes large corporations taxes which amounted to $5 million in each of 2003 and 2002. See note 15 to the consolidated financial statements.

CAPITAL EXPENDITURES

(Cameco's share in $ millions)

	2004 Plan	2003 Actual
Sustaining Capital		
McArthur River/Key Lake	43	11
US ISL	16	8
Rabbit Lake	7	6
Conversion Services	22	6
Boroo	10	–
Kumtor	3	7
Other	3	8
Total Sustaining	**104**	**46**
New Development		
Cigar Lake	32	10
Conversion Services	15	–
Inkai	4	4
Boroo	–	81
Total Development	**51**	**95**
Capitalized interest	9	13
Total	**164**	**154**

CONSOLIDATED OUTLOOK FOR 2004

In 2004 consolidated revenue is expected to rise by about 4%. This is due to new gold production from the Boroo mine, which is anticipated to more than offset reduced revenues in the uranium and conversion businesses. On a consolidated basis, the gross profit margin is projected to increase to 23% from 20% in 2003. In 2004, the effective rate for income taxes is expected to be about 30%.

In 2004, total capital expenditures are expected to increase by $10 million to $164 million. In 2004, sustaining capital expenditures are expected to be higher than in 2003 due to ongoing mine development work, pumping and water treatment projects at the McArthur River mine in northern Saskatchewan, and well field expansions at the ISL operations in Nebraska. Capital spending will also increase at conversion services to improve production processes and meet regulatory requirements.

For new development projects, total expenditures are projected to be $51 million, a decrease of $48 million compared to 2003. The decline is attributable to the completion of construction at Boroo and partially offset by increased expenditures at the proposed Cigar Lake minesite in northern Saskatchewan and at Cameco's conversion services facilities.

At Cigar Lake, the construction licence is now expected in late 2004, following which Cameco and the partners will make a decision on development. In the meantime, activities requiring considerable advanced planning are expected to continue. Procurement is planned for several long-lead-time items including the #2 hoist and headframe complex, the freezing system, freeze hole drilling and the electrical distribution system.

At the Inkai development project in Kazakhstan, the feasibility study is completed and the results are being reviewed. The feasibility results need to be approved by the Inkai joint venture partners. Subject to these approvals, test mining is planned to continue through 2004 as a detailed mine design is prepared and an application for a

LIQUIDITY INDICATORS

	2003	2002	2001	2000	1999
Cash provided by operations ($ millions)	246	251	116	224	249
Cash provided by operations/net debt[1] (%)	155	151	36	86	80
Net debt[1]/total capitalization (%)	7	8	15	13	14

1 Total debt less cash and cash equivalents.

construction permit is submitted to the local authorities. Pending receipt of the permit, construction would follow in 2005 and the first half of 2006 with production expected to begin toward the end of 2006.

Sensitivity Analysis

Uranium Price

With the recent increase in the uranium spot price, a significant proportion of the deliveries in 2004 are likely to be influenced by price ceilings. Consequently, a $1.00 (US) increase in the U_3O_8 spot price from the year-end average of $14.45 (US) per pound would improve revenue by about $9 million (Cdn), net earnings by about $5 million (Cdn) and cash flow by about $4 million (Cdn). Conversely, a $1.00 (US) decrease in the U_3O_8 spot price from $14.50 (US) would reduce revenue by about $11 million (Cdn), net earnings by about $7 million (Cdn) and cash flow by about $6 million (Cdn).

Gold Price

For 2004, about 70% of forecast gold sales are unhedged. A $10 (US) per ounce change in the gold spot price would change each of revenue, net earnings and cash flow by about $3 million (Cdn).

Electricity Price

For 2004, about 55% of forecast generation is to be sold at spot prices. A $1.00 (Cdn) per MWh change in the spot price for electricity in Ontario would change Cameco's after-tax earnings from Bruce Power by about $4 million (Cdn).

Conversion Price

In the short term, Cameco's financial results are relatively insensitive to changes in the spot price for conversion as the majority of conversion sales are at fixed prices.

Foreign Exchange

Most uranium and conversion US dollar inflows are hedged through a combination of forward sales of US currency and natural hedges. Gold revenue and expenses are not hedged. Results from the gold business are converted into Canadian dollars at the prevailing exchange rates. For 2004, every one-cent change in the US to Canadian dollar exchange rate from $0.77 would change net earnings by $3 million (Cdn).

LIQUIDITY AND CAPITAL RESOURCES

Overview

Financial liquidity represents the company's ability to fund future operating activities and investments. Some important measures of liquidity are summarized in the table below.

In 2003, Cameco issued $230 million of 5% convertible subordinated debentures and extended the term of its revolving credit facility by one year.

Indicators Defined

Cash provided by operations reflects the net cash flow generated by operating activities after consideration for changes in working capital.

Cash provided by operations to net debt indicates the company's ability to meet debt obligations from internally generated funds. Cash provided by operations does not include Cameco's pro rata interest in Bruce Power's operating cash flow of $117 million in 2003 compared to $28 million in 2002. Cameco accounts for this investment using the equity method and thus Bruce Power's operating cash flows are not consolidated with Cameco's. For further information, refer to note 19(c) of the consolidated financial statements.

Net debt to total capitalization measures the company's use of financial leverage. A lower percentage means less reliance upon debt as a source of financing. Although debt is a lower cost form of financing compared to equity, a lower percentage of debt also represents lower repayment obligations.

Credit Ratings

As of February 2004, the company has the following ratings for its senior debt from third-party rating agencies:

- Dominion Bond Rating Service Limited

  "A (low)" under review with developing implications following Cameco's announcement that it has bid on the South Texas Project.

- Moody's Investors Service
  "Baa1" with a stable outlook.

- Standard & Poor's
  "BBB+" with a stable outlook.

Debt

In addition to cash flow from operations, debt is used to provide liquidity. Cameco has access to about $700 million in unsecured lines of credit.

Commercial lenders have provided a $417.5 million unsecured revolving credit facility that is available in two tranches. The first tranche is a three-year, $196.5 million revolving facility. The second tranche is a $221 million revolving facility available for 364 days with a two-year term-out option. (This means, as long as the company is not in default, Cameco has the option to extend the repayment date on the balance outstanding at maturity of the second tranche for an additional two years.) Up to $100 million of this facility can be used to support letters of credit. The facility ranks pari passu (or equal ranking) with all other senior debt of the company. At December 31, 2003, there were no amounts outstanding under these credit facilities.

Cameco also has agreements with various financial institutions to provide up to $294 million in short-term borrowing and letter of credit facilities. These

CONTRACTUAL CASH OBLIGATIONS[1]
As at December 31, 2003

($ Cdn millions)	Total	Due in Less Than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt	243	4	232	7	–
Preferred Securities[2]	162	–	–	–	162
Convertible Debentures	230	–	–	–	230
Unconditional product purchase obligations[2,3]	1,441	146	353	355	587
Total contractual cash obligations	2,076	150	585	362	979

1 Cameco has the unrestricted ability to settle its obligations for its preferred securities and convertible debentures by delivering common shares of Cameco.

2 Denominated in US dollars. Converted to Canadian dollars at the December 31, 2003 rate of $1.2924.

3 Virtually all of Cameco's product purchase obligations are under long-term, fixed-price arrangements.

COMMERCIAL COMMITMENTS
As at December 31, 2003

($ Cdn millions)	Total amounts committed
Standby letters of credit[1]	203
Guarantees	
KGC senior debt[2, 4]	15
Gold hedge program[3, 4, 7]	73
Bruce Power investment[5]	7
Bruce Power guarantees[6]	191
Total commercial commitments	489

1 The standby letters of credit maturing in 2004 were issued with a one-year term and will be automatically renewed on a year-by-year basis until the underlying obligations are resolved. These obligations are primarily the decommissioning and reclamation of Cameco's mining and conversion facilities. As such, the letters of credit are expected to remain outstanding well into the future.

2 See note 6 to the consolidated financial statements.

3 See note 25 to the consolidated financial statements.

4 Denominated in US dollars. Converted to Canadian dollars at the December 31, 2003 rate of $1.2924.

5 Under its initial 15% partnership interest, Cameco agreed to invest up to $100 million in Bruce Power. To the end of 2003, Cameco had invested $93 million in the partnership.

6 At December 31, 2003, Cameco's total commitment for financial assurances given on behalf of Bruce Power is estimated to be $191 million. See note 19 to the consolidated financial statements.

7 See discussion under gold prices in the section titled Business Risks and Uncertainties.

arrangements are predominantly used to fulfill Commercial paper outstanding at will mature July 6, 2006. Cameco also has

regulatory requirements to provide financial assurance for future reclamation of the company's operating sites. Outstanding letters of credit at December 31, 2003 amounted to $202.7 million. See Business Risks – Reclamation and Decommissioning in this MD&A and note 6 to the consolidated financial statements.

The company may also borrow directly from investors by issuing commercial paper up to $400 million. To the extent necessary, Cameco uses the revolving credit facility to provide liquidity support for its commercial paper program.

December 31, 2003 amounted to $65.9 million.

Cameco has operated within the investment grade segment (high credit quality) of the market when obtaining credit. The cost, terms and conditions under which financing is available vary over time. While future access to credit cannot be assured, it was readily available during 2003.

Debentures

Cameco has $50 million outstanding in senior unsecured debentures that bear interest at a rate of 7% per annum and $100 million outstanding in senior unsecured debentures that bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Equipment Loan

A Cameco subsidiary has $9.2 million (US) outstanding under an equipment loan that is repayable in 17 remaining quarterly installments of $0.4 million (US) with a final payment of $2.0 million (US) in 2008.

Preferred Securities

Cameco's issue of preferred securities ($125 million (US)) is redeemable at par on or after October 14, 2003. At the present time, the company has not determined whether the issue will be redeemed in 2004.

Convertible Debentures

During 2003, Cameco increased its investment in Bruce Power, paying $204 million for its incremental 16.6% interest and loaning an additional $75 million to Bruce Power. This investment was initially financed mostly with short-term commercial paper. On September 25, 2003 the company issued $230 million in convertible debentures bearing interest at 5% per annum and maturing on October 1, 2013. The proceeds are being used to repay commercial paper as it matures. See note 10 to the consolidated financial statements.

KUMTOR GOLD COMPANY CAPITAL STRUCTURE

($US millions)	Initial Funding	Balance at Dec. 31, 2003
Debt		
Third party		
Senior[1]	265	17
Subordinated	20	20
Total third party	285	37
Cameco subordinated loan	107	61
Total debt	392	98
Equity	45	45
Total Capital	437	143

1 Cameco has guaranteed the payment of all principal and interest that becomes due on the senior debt.

Kumtor Gold Company

To finance the Kumtor gold project, a consortium of financial institutions advanced $285 million (US) in senior and subordinated loans to the project in 1996. During 2003, KGC repaid $60 million (US) of these third party loans. After these repayments, the outstanding balances were $17 million (US) in senior debt and $20 million (US) in subordinated debt. Since Cameco proportionately consolidates its interest in KGC, $12 million (US) ($16 million (Cdn)) of the remaining loans were included in Cameco's long-term debt. See note 6 to the consolidated financial statements.

In addition, Cameco provided a subordinated loan of $107 million (US) to the project. The outstanding principal and accrued interest at the end of 2003 amounted to $61 million (US) and $3 million (US) respectively compared to $61 million (US) of outstanding principal at year-end 2002. Cameco also invested $45 million (US) as an equity contribution in 1996. Cameco plans to contribute the subordinated loan in exchange for equity in Centerra.

The senior debt is the direct obligation of KGC, although Cameco has guaranteed the payment of principal and interest owing. See note 18 to the consolidated financial statements. Under current production plans, the guarantee is not expected to be called.

Debt Covenants

Cameco is bound by certain covenants in its general credit facilities and in those of Kumtor. The financially related covenants place restrictions on total debt, including guarantees, and set minimum levels for net worth. As of December 31, 2003, Cameco met these financial covenants and does not expect its operating and investment activities in 2004 to be constrained by them.

BUSINESS RISKS AND UNCERTAINTIES

Financial Risk

Cameco's financial condition is influenced by operational performance and by a number of market risks. The most significant of these risks are fluctuations in market prices and sales volumes of uranium, conversion, gold and electricity, foreign exchange rates and unit costs of production. Risk management strategies are employed to assist in identifying and mitigating these and other risks.

Uranium Prices

The company reduces its exposure to short-term volatility in uranium prices by maintaining a long-term contract portfolio that is diversified by price mechanism, delivery date and customer. About 60% of Cameco's contract portfolio has been priced in relation to the spot market price in effect at or near the time of delivery. The remaining 40% has been sold at a fixed price (usually adjusted for inflation) over the term of the contract. The company's sensitivity to changes in the uranium spot price is noted in the section entitled consolidated outlook for 2004 in this MD&A.

Limited Number of Customers

Cameco relies on a small number of customers that purchase a significant portion of the company's uranium concentrates and conversion services. For example, Cameco's five largest customers are expected to account for 42% of the company's contracted supply of U_3O_8 for 2004 through 2006. This compares to 39% of the contracted supply of U_3O_8 for 2003 through 2005. The loss of any of these large customers, or any significant curtailment of purchases or lack of timely payments could have a material adverse effect on Cameco's financial performance.

Use of Derivatives

Cameco uses financial derivatives to assist in mitigating its exposure to fluctuations in gold price and foreign exchange rates. A derivative is entered into as a hedge against specific economic and transactional exposures.

Cameco does not enter into derivative contracts for speculative purposes. However, derivatives bring with them an exposure to counterparty default.[1] As of December 31, 2003, Cameco's exposure is predominantly with counterparties that had credit ratings of A+ or higher.

1 Counterparty default would occur if the other party in a derivative contract is unable to perform its obligations at the time of contract maturity, resulting in the intended hedge being of no value. This concern is addressed by dealing with a variety of counterparties and primarily only those of high credit quality and limiting the amount and duration of the exposure. A measure of default risk is the mark-to-market value of a hedge position. This value is the difference between the price at which a derivative contract was entered into and its current market value. A mark-to-market gain indicates that the company has that amount of value at risk should its counterparties default. A mark-to-market loss represents the amount of value Cameco would have to pay should the hedge position need to be settled immediately.

Accordingly, Cameco believes the risks of default are low and the benefits derived from using derivatives outweigh the risks.

Gold Prices

KGC and AGR hedge the price risk for future gold sales. At December 31, 2003, KGC had in place forward sales on 278,300 ounces and AGR had in place forward sales on 200,000 ounces. Combined, these hedge positions represented about 12% of proven and probable reserves. These hedges are expected to yield an average price of about $326 (US) per ounce. The mark-to-market loss on these hedge positions was $46 million (US) at December 31, 2003.

Cameco's share of these hedging agreements was 292,800 ounces in spot-deferred contracts which are expected to yield an average price of about $321 (US) per ounce. Based upon Cameco's consolidated interest in KGC (33%) and AGR (56%), Cameco's net mark-to-market loss, after deducting other partners' interests on these hedge positions, was $20 million (US) at December 31, 2003 based on a year-end spot gold price of $416 (US) per ounce.

Cameco has agreed to provide various levels of credit support up to $130 (US) per ounce to the counterparties of KGC and AGR which, based on the ounces hedged at December 31, 2003, could amount to $57 million (US) depending on the spot price of gold.

Timing differences between the usage and designation of hedge contracts may result in deferred revenue or deferred charges. At the end of 2003, Cameco's share of deferred charges to be recognized in future years totalled $2 million (US). See note 25 to the consolidated financial statements.

Foreign Exchange Risk

The US/Canadian foreign exchange rate started the year at $1.5796 and averaged $1.40 during the year. Most of the company's revenues are in US dollars with a majority of its costs in Canadian dollars. To reduce its currency risk, at December 31, 2003, Cameco had sold forward $457 million (US). These hedges are expected to yield an average exchange rate of $1.4179. The mark-to-market gain on these positions was $51 million (Cdn) at December 31, 2003 based on a year-end exchange rate of $1.2924.

Timing differences between the usage and designation of hedge contracts may result in deferred revenue or deferred charges. At the end of 2003, deferred revenue to be recognized in future years totalled $24 million.

Political Risk

The company has diversified its political risk internationally. The Kumtor gold mine is located in the Kyrgyz Republic, a country formerly part of the Soviet Union. The mine is the largest foreign investment in the country and represented about 5% of the country's gross domestic product, 33% of export earnings and 34% of total industrial production in 2002, the latest date for which information is available. The importance of Kumtor in relation to the rest of the Kyrgyz economy has meant that Kumtor has maintained a very high profile within the country. This level of attention is not without risk; however, it has also been of benefit in ensuring continued efficient operations.

Cameco also owns a 60% interest in Joint Venture Inkai (JVI), which is developing a uranium mine in the Republic of Kazakhstan. Through KazAtomProm, the Republic of Kazakhstan owns the remaining 40% of JVI. Cameco has agreed to provide funding of up to $40 million (US) to JVI for project development of which $19.5 million (US) has been funded to the end of 2003. Test mining continued through 2003. Approval of the feasibility study is planned for 2004. To date, the Kazakhstan government has supported the project, but there is no assurance that support will continue for the project's duration.

Cameco also owns a 56% interest in AGR, which owns 95% of the Boroo gold project in Mongolia. At Boroo, commercial production was achieved on March 1, 2004. AGR's investment in Boroo may be exposed to adverse political developments that could affect the economics of the project. The Mongolian government has supported the project to date, but there is no assurance that support will continue for the project's duration.

Cameco's investment in these operations may be exposed to adverse political developments that could affect the economics of each operation. The company has made an assessment of the political risk associated with each of its foreign investments and has purchased political risk insurance to mitigate losses as deemed appropriate.

Insurance

Cameco purchases insurance to mitigate losses that may arise from certain liability and property risks. The cost of this insurance and the specific protection provided by the policies vary from year to year depending on conditions in the insurance market. In 2003, market conditions were difficult across all lines of insurance. This resulted in significantly increased premiums along with more restrictive policy terms and conditions.

Cameco believes that the insurance program it has in place continues to prudently address its major liability and property risk exposures.

Uncertainty in the insurance market is expected to continue for at least a few more years. During this time, the availability of certain types of insurance coverage that Cameco has purchased in the past may be significantly reduced and/or the cost to acquire insurance may significantly increase.

Operations Risk

Cameco's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, blockades, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures, cave-ins, adverse mining conditions and underground flooding) and encountering unusual or unexpected geological conditions. The company also contracts for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America and Europe, which exposes the company to transportation risks. Many of the foregoing risks and hazards could result in damage to, or destruction of, the company's mineral properties or refining or conversion facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from the company's mines or refining or conversion facilities or in its exploration or development activities, delay in or inability to receive regulatory approvals to transport its uranium and uranium products, or costs, monetary losses and potential legal liability and adverse governmental action. In addition, due to the radioactive nature of the materials handled in uranium mining, refining, conversion and transport, additional costs and risks are incurred by the company on a regular and ongoing basis.

Safety, Health and Environmental Risk

Cameco is subject not only to the normal worker health, safety and environmental risks associated with all mining and chemical processing, but also to additional risks uniquely associated with uranium mining, milling and conversion operations.

In 2001, to better manage these risks and to enhance its quality culture, Cameco embarked upon the design and implementation of an integrated quality management system (QMS). Program development continued in 2003. The QMS (based upon Cameco's vision, mission, values, quality policy and ISO 9001 – 2000 quality management principles) is to be implemented at Cameco's Canadian uranium sites to a degree that meets the CNSC requirements by the end of 2004 and with complete QMS implementation at Canadian uranium operating sites and related head office requirements to be finalized by the end of 2005. Cameco also continues to utilize an environmental management system at its operations. The company received ISO 14001 certification at its Blind River refining facility in 2002 and at the McArthur River mine and the Key Lake milling operation in 2003. The Port Hope conversion facility received this certification in 2000.

Also in conjunction with the QMS program, Cameco is reviewing its existing health and safety management system, based upon principles similar to those in the ISO series of management systems and identifying ways to further implement it and integrate it with QMS. For the year, on a combined basis, Cameco, its subsidiaries and long-term contractors achieved an accident frequency of 0.61 lost-time accidents per 200,000 person hours worked, which was up from last year's best overall record of 0.24.

Regulators must approve the startup, continued operation and decommissioning of many of Cameco's facilities. These facilities are subject to numerous laws and regulations regarding safety and environmental matters and the management of hazardous wastes and materials. Significant economic value is dependent on the company's ability to obtain and renew licences necessary to operate. In 2003, the CNSC renewed the Rabbit Lake licence for a five-year term. Given the level of regulatory work, Cameco will seek an interim extension of the current two-year licences for the McArthur River and Key Lake operations and renewal of both licences in 2004.

Cameco continues to face challenges from the burden of increasing regulatory demands and costs from the CNSC, Canadian Environmental Assessment Agency, and other federal and provincial regulators. In particular, the lead regulator, CNSC, has increased its fees charged to the nuclear industry, and is increasing the regulatory burden as a result of the implementation of the new Canadian Nuclear Safety and Control Act. In addition the CNSC and Environment Canada are calling for more stringent environmental monitoring and environmental performance, based on precautionary principles, of uranium mining and milling operations.

Operational changes are increasingly subject to regulatory approval that may include delays due to longer and more complex regulatory review and approval processes. These increasing requirements are expected to continue to result in higher administration costs and capital expenditures for compliance. The increasing complexity of the regulatory approval process reduces the flexibility of the company to make operational changes in a timely fashion.

Reclamation and Decommissioning

The company actively plans for the closure, reclamation and decommissioning of its operating sites. Decommissioning and reclamation costs may increase over time due to increasingly stringent regulatory requirements. At least bi-annually, Cameco estimates its total decommissioning and reclamation costs, based on current operations to date, for its operating assets. At the end of 2003, the estimate was $234 million. The majority of such expenditures are typically incurred at the end of the useful

lives of the operations to which they relate and, therefore, only a very small percentage of total estimated costs is expected to be incurred over the next five years. See note 7 to the consolidated financial statements.

At the end of 2003, Cameco's accounting provision for future reclamation costs totalled $141 million. To provide financial assurances for these costs, Cameco has provided letters of credit (LOCs), where required. Cameco's LOCs totalled $203 million at the end of 2003, of which $199 million was related to reclamation and decommissioning activities.

Since mid-2001, all Cameco's North American operations have in place letters of credit providing financial assurance, which are aligned with preliminary plans for site-wide decommissioning. Beginning in 1996, the company has conducted regulatory-required reviews of its decommissioning plans for all Canadian sites. These periodic reviews are done on a five-year basis, or at the time of an amendment to an operating licence, or if at renewal, there has been a material change to the site. Reclamation and decommissioning obligations represent unfunded liabilities of the company.

Electricity Business Risks

Through its interest in Bruce Power, Cameco is exposed to various business risks associated with the generation and marketing of electricity. The following discusses some, but not all, risks associated with this business.

In Ontario, political risk results from uncertainty over the future direction of government energy policies. This risk was amplified in late 2002 when the Ontario government abandoned the deregulation of the retail electricity market. Thus far, the wholesale market remains unregulated, but there can be no assurance that this will continue. Political risk is beyond the control of Bruce Power.

Of the remaining risks, the most significant is directly related to the operating performance of Bruce Power's generating assets. Bruce Power manages this risk through preventive maintenance to improve overall equipment reliability, by adopting more efficient operational processes and by improving employee performance at all levels.

Another category of risk is electricity price. Bruce Power mitigates this risk by entering into long-term, fixed-price supply contracts with reliable customers for the delivery of a significant portion of its annual generation. Electricity generated, but not covered by such contracts, is sold on the wholesale spot market and is subject to prices in effect at the time of delivery.

Most long-term supply agreements obligate Bruce Power to deliver electricity at a predetermined contractual price. Credit risk arises from these contracts. On the one hand, the counterparty must have the financial resources to take delivery and pay for contracted electricity. On the other hand, if quoted forward market prices exceed contracted prices, then the counter-party has the right, in most cases, to request financial assurance to mitigate the possibility that Bruce Power does not deliver the electricity as contracted. In such circumstances, Cameco's contingent obligations may increase if it is called upon to guarantee its share of Bruce Power's obligation. To maintain the economic benefit of the electricity supply contracts, Cameco and its partners must have the financial ability to address this credit risk.

A further risk category relates to the transmission grid. The ability of Bruce Power to deliver electricity to its customers is dependent on the provincial transmission grid, owned and maintained by Hydro One, an Ontario provincial Crown corporation. Bruce Power's ability to deliver power to customers is also dependent on the interlinked North American power grid. Any adverse conditions such as severe weather or inadequate maintenance that results in unreliable performance by the grid could cause significant financial loss to Bruce Power. Transmission grid risks are beyond Bruce Power's control.

CRITICAL ACCOUNTING POLICIES

Cameco prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion on property, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and significant change over time. If actual reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to earnings.

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive

assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount charged to earnings.

Effective January 1, 2003, Cameco changed its policy for accounting for reclamation activities by adopting CICA Handbook section 3110, Asset Retirement Obligations. This section addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations related to the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. The new rules require that the fair value of the estimated cost of an asset retirement obligation be recognized as a liability in the period in which it is incurred. A corresponding amount is added to the carrying amount of the associated asset and depreciated over the asset's useful life on a unit of production basis. The liability is accreted over time through charges to earnings. This differs from the previous practice that involved accruing for the estimated reclamation and closure liability through annual charges to earnings over the estimated life of the asset.

If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are written off against current earnings. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

Cameco uses derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. As long as these instruments are effective, they have the effect of offsetting future changes in these underlying rates and prices. Future earnings may be adversely impacted should these instruments become ineffective.

CAUTION REGARDING FORWARD–LOOKING INFORMATION

Statements contained in this document which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: volatility and sensitivity to market prices for uranium, electricity in Ontario and gold; the impact of the sales volume of uranium, conversion services, electricity generated and gold; competition; the impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental and safety risks including increased regulatory burdens; unexpected geological or hydrological conditions; adverse mining conditions; political risks arising from operating in certain developing countries; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including trade laws and policies; demand for nuclear power; replacement of production and failure to obtain necessary permits and approvals from government authorities; legislative and regulatory initiatives regarding deregulation, regulation or restructuring of the electric utility industry in Ontario; Ontario electricity rate regulations; weather and other natural phenomena; ability to maintain and further improve positive labour relations; operating performance of the facilities; success of planned development projects; and other development and operating risks.

Although Cameco believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. Cameco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

Additional information related to your company including Cameco's annual information form is available at www.sedar.com and www.cameco.com.

EXHIBIT 4

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For fiscal years ended December 31, 2003 and December 31, 2002, KPMG LLP and its affiliates were paid by Cameco Corporation and its subsidiaries the following fees:

	2003	2002
Audit fees	$524,000	$623,000
Audit – related fees:		
Proposed AIM Listing for AGR	$ 11,000	$ 57,000
Prospectus	65,000	—
Translation services	26,000	—
Accounting disclosure	23,000	—
	$125,000	$ 57,000
Tax:		
Compliance	$ 96,000	$ 97,000
Planning and advice	127,000	177,000
	$223,000	$274,000
All other fees:		
Special investigation	$ 25,000	$ 30,000
	$ 25,000	$ 30,000
Total	$897,000	$984,000

Cameco Corporation's audit committee is required to pre-approve the audit and non-audit services performed by the external auditors, including the tax and all other fees noted above, in order to ensure the independence of the external auditors. Unless a type of service to be provided by the external auditor receives general pre-approval, it requires specific pre-approval by Cameco's audit committee or audit committee chair or, in the absence of the committee chair, a member of the audit committee as designated by the audit committee or board.

EXHIBIT 5

CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

We consent to the inclusion in the Annual Report on Form 40-F of our report dated January 26, 2004, except as to note 28(b) which is as of February 27, 2004, with respect to the consolidated balance sheets of Cameco Corporation as at December 31, 2003 and 2002 and the related consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2003, which report appears in the Annual Report on Form 40-F of Cameco Corporation for the year ended December 31, 2003.

Saskatoon, Saskatchewan
February 27, 2004

/s/ KPMG LLP
Chartered Accountants

EXHIBIT 99.1

I, Gerald W. Grandey, certify that:

1. I have reviewed this annual report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 19, 2004

/s/ Gerald W. Grandey

Gerald W. Grandey
President & Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 99.2

I, David M. Petroff, certify that:

1. I have reviewed this annual report on Form 40-F of Cameco Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 19, 2004

/s/ David M. Petroff

David M. Petroff
Senior Vice-President, Finance &
Administration & Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 99.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cameco Corporation (the "Company") on Form 40-F for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald W. Grandey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Gerald W. Grandey

Gerald W. Grandey
President & Chief Executive Officer

March 19, 2004

EXHIBIT 99.4

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cameco Corporation (the "Company") on Form 40-F for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Petroff, Senior Vice-President, Finance & Administration & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Petroff

David M. Petroff
Senior Vice-President, Finance & Administration
& Chief Financial Officer

March 19, 2004