Our operations and development projects

This section of our MD&A is an overview of each of our operations, what we accomplished this year, our plans for the future and how we manage risk.

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<th>Uranium</th>
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<tr>
<td>Operating properties</td>
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<tr>
<td>McArthur River and Key Lake</td>
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<tr>
<td>Smith Ranch-Highland</td>
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<tr>
<td>Crow Butte</td>
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<tr>
<td>Inkai</td>
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<table>
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<tr>
<th>Development project</th>
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<tr>
<td>Cigar Lake</td>
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<thead>
<tr>
<th>Projects under evaluation</th>
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</thead>
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<tr>
<td>Inkai blocks 1 and 2 production increase (see Inkai, above)</td>
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<td>Inkai block 3 (see Inkai, above)</td>
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<td>McArthur River extension (see McArthur River, above)</td>
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<td>Kintyre</td>
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<td>Millennium</td>
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<thead>
<tr>
<th>Exploration</th>
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<tr>
<th>Fuel services</th>
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<tr>
<td>Refining</td>
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<tr>
<td>Blind River refinery</td>
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<tr>
<th>Conversion and fuel manufacturing</th>
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<tbody>
<tr>
<td>Port Hope conversion services</td>
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<tr>
<td>Fuel Manufacturing</td>
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<tr>
<td>Springfields Fuels</td>
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<tr>
<th>Electricity</th>
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<tr>
<td>Bruce Power Limited Partnership</td>
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</table>
Managing the risks

The nature of our operations means we face many potential risks and hazards that could have a significant impact on our business. We have comprehensive systems and procedures in place to manage them, but there is no assurance we will be successful in preventing the harm any of these risks and hazards could cause.

Below we list the regulatory, environmental and operational risks that generally apply to all of our operations, development projects, and projects under evaluation. We also talk about how we manage specific risks in each operation or project update. These risks could have a material impact on our business in the near term.

We recommend you also review our annual information form, which includes a discussion of other material risks that could have an impact on our business.

Regulatory risks

A significant part of our economic value depends on our ability to:
- obtain and renew the licences and other approvals we need to operate, to increase production at our mines and to develop new mines. If we do not receive the regulatory approvals we need, or do not receive them at the right time, then we may have to delay, modify or cancel a project, which could increase our costs and delay or prevent us from generating revenue from the project. Regulatory review, including the review of environmental matters, is a long and complex process.
- comply with the conditions in these licences and approvals. In a number of instances, our right to continue operating facilities, increase production at our mines and develop new mines depends on our compliance with these conditions.
- comply with the extensive laws and regulations that govern our activities, including our growth plans. Environmental legislation imposes very strict standards and controls on almost every aspect of our operations and the mines we plan to develop, and are becoming more stringent in Canada and the US. Examples of these controls include that:
  - we must complete an environmental assessment before we can begin developing a new mine or make any significant change to a plan that has already been approved
  - we increasingly need regulatory approval to make changes to our operational processes, which can take a significant amount of time because it may require an environmental assessment or an extensive review of supporting information. The complexity of this process can be further compounded when regulatory approvals are required from multiple agencies.

We use significant management and financial resources to manage our regulatory risks.

Environmental risks

We have the safety, health and environmental risks associated with any mining and chemical processing company.

All three of our business segments face unique risks associated with radiation.

Laws to protect the environment are becoming more stringent for members of the nuclear energy industry and have inter-jurisdictional aspects (both federal and provincial/state regimes are applicable). Once we have permanently stopped mining and processing activities, we are required to decommission the operating site to the satisfaction of the regulator. We have developed conceptual decommissioning plans for our operating sites and use them to estimate our decommissioning costs. As the site approaches or goes into decommissioning, regulators review our detailed decommissioning plan, and this can result in additional regulatory process, requirements, costs and financial assurances.

At the end of 2010, our estimate of total decommissioning and reclamation costs was $465 million. This is the undiscounted value of the obligation and is based on our current operations. We had accounting provisions of $280 million at the end of 2010 (the present value of the $465 million). Since we expect to incur most of these expenditures at the end of the useful lives of the operations they relate to, our expected costs for decommissioning and reclamation for the next five years are not material.
We provide financial assurances for decommissioning and reclamation as letters of credit to regulatory authorities, as required. We had a total of $549 million in letters of credit supporting our reclamation liabilities at the end of 2010. Since 2001, all of our North American operations have had letters of credit in place that provide financial assurance in line with our preliminary plans for decommissioning for the sites.

Some of the sites we own or operate have been under ongoing investigation and/or remediation and planning as a result of historic soil and groundwater conditions. For example, we are addressing issues related to historic soil and groundwater contamination at Port Hope and Rabbit Lake.

We use significant management and financial resources to manage our environmental risks.

We manage environmental risks through our safety, health, environment and quality (SHEQ) management system. Our SHEQ management system is centralized and managed at the corporate level, and we implement it corporately and at our operations level. Our chief executive officer is responsible for ensuring that our SHEQ management system is implemented. Our board’s safety, health and environment committee also oversees how we manage our environmental risks.

In 2010, we invested:
- $76 million in environmental protection, monitoring and assessment programs, a decrease of 17% compared to 2009
- $34 million in health and safety programs, unchanged compared to 2009.

In 2011, spending for these programs is expected to be similar to 2010.

Operational risks
Other operational risks and hazards include:
- environmental damage
- industrial and transportation accidents
- labour shortages, disputes or strikes
- cost increases for contracted or purchased materials, supplies and services
- shortages of required materials and supplies
- transportation disruptions
- electrical power interruptions
- equipment failures
- non-compliance with laws and licences
- catastrophic accidents
- fires
- blockades or other acts of social or political activism
- natural phenomena, such as inclement weather conditions, floods and earthquakes
- unusual, unexpected or adverse mining or geological conditions
- underground floods
- ground movement or cave ins
- tailings pipeline or dam failures
- technological failure of mining methods

We have insurance to cover some of these risks and hazards, but not all of them, and not to the full amount of losses or liabilities that could potentially arise.
Uranium – production overview

Our production was 10% higher this year than it was in 2009 and 6% higher than our plan at the beginning of 2010. We had a number of successes at our mining operations in 2010.

At McArthur River/Key Lake:
- We increased production by 5% over 2009.
- We obtained approval for production flexibility, which allowed us to exceed our production target by 6%.

At Rabbit Lake:
- We added mineral reserves, extending the estimated mine life by two years to 2017.

At Inkai:
- We continued to ramp up production and exceeded our 2009 production by 136%.
- Production was 13% higher than our plan at the beginning of the year due to the completion of the processing facilities and a stable acid supply.

### Uranium production

<table>
<thead>
<tr>
<th>Cameco’s share (million lbs U₃O₈)</th>
<th>Three months ended December 31</th>
<th>Year ended December 31</th>
<th>2010 plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>McArthur River/Key Lake</td>
<td>4.0</td>
<td>4.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Rabbit Lake</td>
<td>1.3</td>
<td>1.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Smith Ranch-Highland</td>
<td>0.4</td>
<td>0.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Crow Butte</td>
<td>0.2</td>
<td>0.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Inkai</td>
<td>0.5</td>
<td>0.6</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.4</strong></td>
<td><strong>6.7</strong></td>
<td><strong>22.8</strong></td>
</tr>
</tbody>
</table>

¹ We updated our 2010 plan in our Q3 MD&A to 22 million pounds.

**Outlook**

We have geographically diversified sources of production. We expect to produce about 125 million pounds of U₃O₈ over the next five years from the properties listed below. Our strategy is to double our annual production to 40 million pounds by 2018, which we expect will come from our operating properties, development projects and projects under evaluation. These sources are discussed in the following section.

### Cameco’s share of production — annual forecast to 2015

<table>
<thead>
<tr>
<th>Current forecast (million lbs U₃O₈)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>McArthur River/Key Lake</td>
<td>13.1</td>
<td>13.1</td>
<td>13.1</td>
<td>13.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Rabbit Lake</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>US ISR</td>
<td>2.5</td>
<td>3.1</td>
<td>3.1</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Inkai</td>
<td>2.7</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Cigar Lake</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
<td>2.0</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21.9</strong></td>
<td><strong>22.9</strong></td>
<td><strong>23.9</strong></td>
<td><strong>25.5</strong></td>
<td><strong>29.2</strong></td>
</tr>
</tbody>
</table>

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

In 2010, Inkai received approval in principle to produce at 3.9 million pounds per year (100% basis) and is seeking final approval through an amendment to the resource use contract.
Our 2011 and future annual production targets assume Inkai receives the government approvals and support of our partner, Kazatomprom. More specifically, it must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, that Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, Inkai may be unable to achieve its 2011 and future annual production targets.

This forecast is forward-looking information. It is based on the assumptions and subject to the material risks discussed on pages 2 and 3, and specifically on the assumptions and risks listed here. Actual production may be significantly different from this forecast.

Assumptions

- we achieve our forecast production for each operation, which requires, among other things, that our mining plans succeed, processing plants are available and function as designed, we have sufficient tailings capacity and our reserve estimates are accurate
- we obtain or maintain the necessary permits and approvals from government authorities
- our production is not disrupted or reduced as a result of natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks

Material risks that could cause actual results to differ materially

- we do not achieve forecast production levels for each operation because of a change in our mining plans, processing plants are not available or do not function as designed, lack of tailings capacity or for other reasons
- we cannot obtain or maintain necessary permits or government approvals
- natural phenomena, labour disputes, political risks, blockades or other acts of social or political activism, shortage or lack of supplies critical to production, equipment failures or other development and operation risks disrupt or reduce our production
Uranium – operating properties

**McArthur River/Key Lake**

McArthur River is the world’s largest, high-grade uranium mine, and Key Lake is the largest uranium mill in the world.

Ore grades at the McArthur River mine are 100 times the world average, which means it can produce more than 18 million pounds per year by mining only 150 to 200 tonnes of ore per day. We are the operator.

McArthur River is one of our three material uranium properties.

<table>
<thead>
<tr>
<th>Location</th>
<th>Saskatchewan, Canada</th>
</tr>
</thead>
</table>
| Ownership      | 69.805% – McArthur River  
                 83.33% – Key Lake |
| End product    | $U_3O_8$             |
| ISO certification | ISO 14001 certified |
| Deposit type   | underground          |
| Estimated reserves (our share) | 234.2 million pounds - proven and probable |
| Average reserve grade | $U_3O_8$ – 15.24%$^1$ |
| Estimated resources (our share) | 11.8 million pounds (measured and indicated)  
                                             104.8 million pounds (inferred) |
| Mining methods | currently: raiseboring  
                 under development: boxhole boring |
| Licensed capacity | mine and mill: 18.7 million pounds per year  
                      (can be exceeded – see Licensing below) |
| Total production | 2000 to 2010  
                  1983 to 2002 | 191.1 million pounds (McArthur River/Key Lake) (100% basis)  
                                           209.8 million pounds (Key Lake) (100% basis) |
| 2010 production | 13.9 million pounds (our share) |
| 2011 forecast production | 13.1 million pounds (our share) |
| Estimated decommissioning cost | $36.1 million – McArthur River  
                                         $120.7 million – Key Lake |

$^1$ For more information on the average grade, please see the 2010 update that follows in this section – Change in Average Reserve Grades
Background
We use a number of innovative methods and techniques to mine the McArthur River deposit:

*Ground freezing*

The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We use ground freezing to form an impermeable wall around the area being mined. This prevents water from entering the mine, and helps stabilize weak rock formations.

In 2009, we developed an innovative, cathedral-shaped freezewall around zone 2, panel 5, allowing us to develop tunnels above and below the orebody. We expect this innovation will allow us to continue using raisebore mining as the main mining method at McArthur River and improve production efficiencies as we transition to other areas of the mine (see Planning for the future – Zone 4 below).

*Raisebore mining*

Raisebore mining is an innovative non-entry approach that we adapted to meet the unique challenges at McArthur River. It involves:

- drilling a series of overlapping holes through the ore zone from a raisebore chamber in waste rock above the ore
- collecting the broken ore at the bottom of the raises using line-of-sight remote-controlled scoop trams, and transporting it to a grinding circuit
- filling each raisebore hole with concrete once it is complete
- removing the equipment and filling the entire chamber with concrete when all the rows of raises in a chamber are complete
- starting the process again with the next raisebore chamber

We have successfully used the raisebore mining method to extract about 190 million pounds (100% basis) since we began mining in 1999.

McArthur River currently has four zones with delineated mineral reserves (zones 1 to 4). Zones A and B are categorized as inferred mineral resources. Parts of zones 1, 2, 3 and 4 also have mineral resources.

Until this year, we have mined only zone 2 since the mine started production. Zone 2 is divided into four panels (panels 1, 2, 3 and 5). Until late 2009, all mine production was from panels 1, 2 and 3, and there are still limited
reserves that we will extract from these panels in the next few years. Panel 5 represents the upper portion of zone 2, overlying a portion of the other panels.

We successfully transitioned to panel 5 last year, the first time development has been accomplished through the unconformity into the Athabasca sandstone.

We brought the lower mining area of zone 4 into production in the fourth quarter of 2010.

**Boxhole boring**
Given our success with the cathedral-shaped freezwall around zone 2, panel 5, the use of boxhole boring in our mine plan has been significantly narrowed in scope. We expect to be able to continue using raisebore mining as our main mining method for McArthur River.

Boxhole boring is similar to the raisebore method, but the drilling machine is located below the orebody, so development is not required above the orebody. This method is currently being used at only a few mines around the world, but has not been used for uranium mining.

Boxhole boring poses some technical challenges. We will continue to test this method in 2011; however, we expect it will only be used as a secondary method in areas where we determine raiseboring is not feasible. We may use it on a limited basis in 2013 to meet our production target.

**2010 update**

**Production**
Our share of production was 6% higher than our target of 13.1 million pounds U₃O₈, and a 5% increase over 2009. In 2009, we also exceeded our production target.

Our strong performance at both McArthur River and Key Lake allowed us to realize benefits under the production flexibility amendments to the McArthur River and Key Lake operating licences (see **Licensing** below).

**New mining areas**
Zone 2, panel 5 – We developed a second raisebore chamber. This is expected to improve production efficiency in the future.

Lower zone 4 – We completed the transition to this zone and began production during the fourth quarter.

**Change in Average Reserve Grades**
At McArthur River, average grade for our mineral reserves changed as follows:
- for our proven reserves: in 2010 the average grade is 17.29%, up from 15.72% in 2009
- for our probable reserves: in 2010 the average grade is 13.49%, down from 26.33% in 2009

As a consequence, the average grade for our proven and probable reserves in 2010 is 15.24%, down from 19.53% in 2009.

The addition of 260 thousand tonnes of ore to probable reserves resulted in the average grade decreasing in 2010. This increase of tonnes is due mostly to successful underground drilling and conversion of lower grade inferred resources to probable reserves. Our plan to use conventional blast-hole stoping in some areas also enabled us to convert lower grade resources to reserves. We do not expect this reduction in grade to have a material effect on operating costs. Please see our mineral reserves and resources section on page 84 for more information.

**Mill revitalization**
The Key Lake mill began operating in 1983. We are revitalizing the mill to ensure sustained reliable production and increase our uranium production capability. This year we focused on:
- building the acid, steam and oxygen processing plants
- securing our existing tailings capacity

**Operational upgrades**
The Key Lake revitalization plan includes upgrading circuits with new technology to simplify operations and improving environmental performance. As part of this plan, we are replacing the acid, steam and oxygen plants.
This year we installed all structural steel and winterized the buildings. We installed all major equipment for the acid and steam plants, and are installing mechanical piping.

We expect to complete and commission all three plants in 2011.

**Tailings capacity**

We submitted a project description, the *Key Lake extension project*, to regulators to extend the lifespan of the Key Lake operation.

The project proposes to:

- allow continued processing of ore from the McArthur River mine and other potential mine developments
- increase long-term capacity of the Deilmann tailings management facility by allowing us to deposit tailings to a higher elevation
- increase annual mill production capacity to 25 million pounds U₃O₈

**Licensing**

The CNSC approved an amendment to our operating licence for McArthur River, giving us flexibility in the annual licensed production limit, similar to that received at Key Lake last year. The McArthur River mine can produce up to 20.7 million pounds U₃O₈ (100% basis) per year as long as average annual production does not exceed 18.7 million pounds. If production is lower than 18.7 million pounds in any year, we can produce more in future years until we recover the shortfall. After taking advantage of this provision in 2009 and this year, we still have the opportunity to recover about 4 million pounds (100% basis) in past production shortfalls.

After the mill is revitalized, annual production will depend mainly on mine production. We are continuing to plan for annual production of 18.7 million pounds (100% basis) for the next few years.

**Exploration**

We initiated a multi-year project, the *McArthur River extension*, to advance the underground exploration drifts to the north and to the south of the current mining operations. We expect this work to further delineate zones A and B inferred mineral resources to the north, and mineral resources to the south.

We received regulatory approval to continue developing the north exploration drift towards zone A and zone B. Over the next two years, we will carry out underground exploration from this drift to expand our knowledge of the size and grade of the ore in this area.

The surface lease has been reinstated to its original size, which will allow us to optimize the location for future mine workings for ongoing approved activities. We expect a fourth shaft will be necessary for ventilation of ongoing operations and for the eventual development of zones to the north of current mining areas.

**Labour relations**

We reached a new four-year collective agreement with unionized employees at McArthur River and Key Lake. The agreement expires on December 31, 2013.

**Planning for the future**

**Production**

We expect our share of production to be 13.1 million pounds U₃O₈ in 2011 and will look for opportunities to take advantage of the production flexibility provision in our licences.

**New mining zones**

Zone 2, panel 5 – In 2011, we expect to develop a third raisebore chamber.

Zone 4 – In 2011, we will begin work to install the freezewall required to bring the upper mining area of zone 4 into production.

Our initial plan was to mine upper zone 4 using boxhole boring. We now expect, however, to use raisebore mining in this area by applying the ground freezing experience we gained in zone 2, panel 5. By using raisebore mining, we expect to significantly improve production efficiencies compared to boxhole boring.
Tailings capacity
In 2011, we expect to:

• complete the detailed design for the stabilization of the Deilmann tailings management facility pitwalls
• start to relocate the infrastructure necessary to allow us to flatten the slope of the pitwalls
• advance work on the environmental assessment for the Key Lake extension project

Exploration
In 2011, we will continue work on the McArthur River extension project, to advance the underground exploration drift to the north of the current mining areas. We will carry out further surface exploration drilling of zone B. We will begin work on a feasibility study for the zones north of our current mining areas.

Managing ongoing risks
Production at McArthur River/Key Lake poses many challenges: control of groundwater, weak rock formations, radiation protection, water inflow, mining method uncertainty and changes to productivity, mine transitioning, regulatory approvals, tailings capacity, reliability of facilities at Key Lake, surface and underground fires. Operational experience gained since the start of production has resulted in a significant reduction in risk.

Water inflow risk
The greatest risk is production interruption from water inflows. A 2003 water inflow resulted in a three-month suspension of production. We also had a small water inflow in 2008 that did not impact production.

The consequences of another water inflow at McArthur River would depend on its magnitude, location and timing, but could include a significant interruption or reduction in production, a material increase in costs and a loss of mineral reserves.

We take the following steps to reduce the risk of inflows, but there is no guarantee that these will be successful:

• Ground freezing — Before mining, we drill freezeholes and freeze the ground to form an impermeable freezewall around the area being mined. Ground freezing reduces but does not eliminate the risk of water inflows.
• Mine development — We carry out extensive grouting and careful placement of mine development away from known groundwater sources whenever possible. In addition, we assess all planned mine development for relative risk, and apply extensive additional technical and operating controls for all higher risk development.
• Pumping capacity and treatment limits — Our standard for this project is to secure pumping capacity of at least one and a half times the estimated maximum sustained inflow. We review our dewatering system and requirements at least once a year and before beginning work on any new zone.

We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum sustained inflow.

Key Lake tailings capacity risk
Tailings from processing McArthur River ore are deposited in the Deilmann tailings management facility. At current production rates, the capacity of the Deilmann tailings management facility is five to six years, assuming we experience only minor losses in storage capacity due to sloughing from the pitwalls. Significant sloughing may constrain McArthur River production.

Sloughing of material from the pitwalls has occurred in the past and resulted in the loss of capacity. Technical studies show that stabilizing and reducing water levels in the pit enhances the stability of the pitwalls, thereby reducing the risk of pitwall sloughing. We doubled our dewatering treatment capacity, allowing us to stabilize the water level in the pit. The water level has been gradually reduced over the past two years.

In 2009, regulators approved our plan for the long-term stabilization of the Deilmann tailings management facility pitwalls. We are implementing the plan, and expect it will take approximately four years to complete the work.

We have also assessed options for long-term storage of tailings at Key Lake. We are proceeding with the environmental assessment to support an application for regulatory approval to deposit tailings in the Deilmann tailings management facility to a much higher level. This would provide us with enough tailings capacity to support many more years of mill production at Key Lake (see Tailings capacity above).

We also manage the risks listed on pages 54 and 55.
## Uranium – operating properties

### Rabbit Lake

The Rabbit Lake operation, which opened in 1975, is the longest operating uranium production facility in North America, and the second largest uranium mill in the world.

<table>
<thead>
<tr>
<th>Location</th>
<th>Saskatchewan, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>$U_3O_8$</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Deposit type</td>
<td>underground</td>
</tr>
<tr>
<td>Estimated reserves</td>
<td>25.5 million pounds (proven and probable)</td>
</tr>
<tr>
<td>Average reserve grade</td>
<td>$U_3O_8$ – 0.76%</td>
</tr>
<tr>
<td>Estimated resources</td>
<td>4.0 million pounds (indicated)</td>
</tr>
<tr>
<td>Mining method</td>
<td>vertical blast-hole stoping</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>mill: maximum 16.9 million pounds per year; currently 11 million</td>
</tr>
<tr>
<td>Total production 1975 to 2010</td>
<td>182.5 million pounds</td>
</tr>
<tr>
<td>2010 production</td>
<td>3.8 million pounds</td>
</tr>
<tr>
<td>2011 forecast production</td>
<td>3.6 million pounds</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$105.2 million</td>
</tr>
</tbody>
</table>

### 2010 update

#### Production

Production this year was the same as in 2009.

#### Continued to upgrade the mill

We completed the first phase of upgrades at the acid plant, replacing the convertor and heat recovery equipment.

#### Worked to extend the mine life

We added mineral reserves, extending the estimated mine life by two years to 2017. We have completed surface exploration drilling near the mine and have found new mineralization referred to as the Powell zone. In 2012, we are planning to start an underground drilling program to further evaluate this mineralization.

We installed and commissioned a new exhaust air raise at the Eagle Point mine to support future activities in the northern part of the mine.
Planning for the future

Production
We expect to produce 3.6 million pounds in 2011.

Milling
We expect to have sufficient tailings capacity to support milling of Eagle Point ore and a portion of the uranium solution from milling of Cigar Lake ore until mid-2016. We are planning to expand the existing tailings management facility to increase the tailings capacity by mid-2016 to support the extension of Rabbit Lake’s mine life, accommodate tailings from processing Cigar Lake uranium solution and provide a modest amount of additional tailings capacity for future processing opportunities. We need regulatory approval to proceed with any increase in capacity.

Exploration
We have extended our underground drilling reserve replacement program into 2011. We plan to test and evaluate areas east and northeast of the mine where we have had good results. Drilling will also continue on other parts of the property.

Reclamation
As part of our multi-year site-wide reclamation plan, we expect to spend $5.7 million in 2011 to reclaim facilities that are no longer in use.

Managing our risks
We manage the risks listed on pages 54 and 55.
Uranium – operating properties

**Smith Ranch-Highland**

We operate Smith Ranch and Highland as a combined operation. Each has its own processing facility, but the Smith Ranch mill processes all the uranium. The Highland mill is currently idle.

Together, they form the largest uranium production facility in the United States.

<table>
<thead>
<tr>
<th>Location</th>
<th>Wyoming, US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Estimated reserves</td>
<td>8.0 million pounds (proven and probable)</td>
</tr>
<tr>
<td>Average reserve grade</td>
<td>U₃O₈ – 0.09%</td>
</tr>
<tr>
<td>Estimated resources</td>
<td>22.5 million pounds (measured and indicated)</td>
</tr>
<tr>
<td></td>
<td>6.6 million pounds (inferred)</td>
</tr>
<tr>
<td>Mining method</td>
<td>in situ recovery (ISR)</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>mine: 2 million pounds per year</td>
</tr>
<tr>
<td></td>
<td>mill: 4 million pounds per year including Highland mill</td>
</tr>
<tr>
<td>Total production 2002 to 2010</td>
<td>13.6 million pounds</td>
</tr>
<tr>
<td>2010 production</td>
<td>1.8 million pounds</td>
</tr>
<tr>
<td>2011 forecast production</td>
<td>1.8 million pounds</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$111.5 million (US)</td>
</tr>
</tbody>
</table>

**2010 update**

**Production**
We met our production target for the year.

**Upgrades**
We finished building five deep disposal wells, and received authorization to operate four of the five wells. We expect to receive authorization to operate the fifth well in 2011. These are expected to help us operate and restore groundwater more efficiently.

**Licensing**
We submitted the licence renewal application to the regulators. We expect production to continue throughout the licence renewal process.
Planning for the future

Production
We expect to produce 1.8 million pounds in 2011.

Reynolds Ranch expansion
We are seeking regulatory approval to proceed with our Reynolds Ranch expansion. The regulators have indicated they have a large volume of permits to process, therefore approval of our expansion is not expected to occur until late in 2011. We do not expect this delay to impact production.

Reserves and resources for Reynolds Ranch and Northwest Unit have been included in the totals for Smith Ranch-Highland reserves and resources. Both properties are adjacent to Smith Ranch-Highland.

Exploration
Additional exploration is underway with the objective of extending the mine life.

Managing our risks
The operating environment is becoming more complex as public interest and regulatory oversight increase. This may have a negative impact on our plans to increase production. We also manage the risks listed on pages 54 and 55.
Uranium – operating properties

**Crow Butte**
Crow Butte was discovered in 1980 and began production in 1991. It is the first uranium mine in Nebraska, and is a significant contributor to the economy of northwest Nebraska.

<table>
<thead>
<tr>
<th>Location</th>
<th>Nebraska, US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Estimated reserves</td>
<td>3.1 million pounds (proven and probable)</td>
</tr>
<tr>
<td>Average reserve grade</td>
<td>U₃O₈ – 0.12%</td>
</tr>
<tr>
<td>Estimated resources</td>
<td>11.2 million pounds (measured and indicated)</td>
</tr>
<tr>
<td></td>
<td>5.6 million pounds (inferred)</td>
</tr>
<tr>
<td>Mining method</td>
<td>in situ recovery (ISR)</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>1 million pounds per year</td>
</tr>
<tr>
<td>Total production</td>
<td>6.8 million pounds</td>
</tr>
<tr>
<td>2010 production</td>
<td>0.7 million pounds</td>
</tr>
<tr>
<td>2011 forecast production</td>
<td>0.7 million pounds</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$35.2 million (US)</td>
</tr>
</tbody>
</table>

**2010 update**

*Production*
Production was in line with our forecast.

*Licensing*
The regulators continued their review of our applications to expand and re-license Crow Butte. They are planning public hearings in 2011 to consider our application. We expect production to continue throughout this licence renewal process.
Planning for the future

*Production*
In 2011, we expect to produce 0.7 million pounds.

Managing our risks
The operating environment is becoming more complex as public interest and regulatory oversight increase. This may have a negative impact on our plans to increase production. We also manage the risks listed on pages 54 and 55.
Uranium – operating properties

Inkai

Inkai is a very significant uranium deposit, located in Kazakhstan. There are two production areas (blocks 1 and 2) and an exploration area (block 3). The operator is Joint Venture Inkai Limited Liability Partnership, which we jointly own (60%) with Kazatomprom (40%).

Inkai is one of our three material uranium properties.

<table>
<thead>
<tr>
<th>Location</th>
<th>Central Kazakhstan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>60%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>ISO certification</td>
<td>BSI OHSAS 18001</td>
</tr>
<tr>
<td></td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Estimated reserves (our share)</td>
<td>72.9 million pounds (proven and probable)</td>
</tr>
<tr>
<td>Average reserve grade</td>
<td>U₃O₈ – 0.07%</td>
</tr>
<tr>
<td>Estimated resources (Our share)</td>
<td>18.3 million pounds (measured and indicated)</td>
</tr>
<tr>
<td></td>
<td>153.0 million pounds (inferred)</td>
</tr>
<tr>
<td>Mining method</td>
<td>in situ recovery (ISR)</td>
</tr>
<tr>
<td>Licensed capacity (mine and mill)</td>
<td>approved in principle: 3.9 million pounds per year</td>
</tr>
<tr>
<td></td>
<td>(our share 2.3 million pounds per year)</td>
</tr>
<tr>
<td></td>
<td>application: expect to submit for 5.2 million pounds per year</td>
</tr>
<tr>
<td></td>
<td>(our share 3.1 million pounds per year)</td>
</tr>
<tr>
<td>2010 production</td>
<td>2.6 million pounds (our share)</td>
</tr>
<tr>
<td>2011 forecast production</td>
<td>2.7 million pounds (our share)</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$7 million (US)</td>
</tr>
</tbody>
</table>

2010 update

Production
Our share of production this year was significantly higher due to successful wellfield performance and the processing of uranium in inventory at the end of 2009. Production was 13% higher than our plan at the beginning of the year due to the completion of the processing facilities and a stable acid supply.

Operations
Inkai received state commissioning approval for the main processing plant, allowing full processing of uranium concentrate on site. The plant operated at production rates very close to design capacity for several months due to strong wellfield performance.
Project funding
We have a loan agreement with Inkai. As of December 31, 2010, there was:
- $314 million (US) of principal outstanding on the loan.
- a nominal amount of accrued interest and financing fees on the loan. In 2010, Inkai paid $49 million (US) in accrued interest and financing fees.

Inkai uses 100% of the cash available for distribution each year to pay accrued interest and financing fees. After those amounts are paid, Inkai then uses 80% of cash available for distribution each year to repay principal outstanding on the loan until it is repaid in full. The remaining 20% of cash available for distribution is paid to the owners.

We have also agreed to advance funds for Inkai’s work on block 3 until the feasibility study is complete.

Licensing
Inkai received approval in principle to:
- increase annual production from blocks 1 and 2 to 3.9 million pounds of U₃O₈ (100% basis)
- amend the block 3 licence to provide for a five-year appraisal period to carry out delineation drilling, mineral resource estimation, construction and operation of a test leach facility, and to complete a feasibility study

Inkai is in the process of finalizing the approval process with an amendment to its resource use contract.

Block 3 exploration
Inkai continued delineation drilling throughout the year and began planning for engineering and construction of a test leach facility.

Profits from block 3 production are to be shared on a 50:50 basis with our partner, instead of based on our ownership interests.

Uranium conversion project
Under the guidance of the memorandum of understanding signed in 2007 (see Doubling production below), we continued to work with our partner Kazatomprom to evaluate joint UF₆ conversion opportunities. This work includes examining the feasibility of a number of options and locations based on strategic and economic considerations.

Planning for the future
Production
We expect our share of production to be 2.7 million pounds in 2011.

Block 3 exploration
In 2011 we expect to:
- continue delineation drilling
- begin developing infrastructure and engineering for the test leach facility

Doubling production
As part of our strategy to double production by 2018, we are working with our partner, Kazatomprom, to implement our 2007 non-binding memorandum of understanding. The memorandum:
- targets future annual production capacity at 10.4 million pounds (our share 5.7 million pounds). While the existing project ownership would not change, our share of the additional capacity under the memorandum would be 50%.
- contemplates studying the feasibility of constructing a uranium conversion facility as well as other potential collaborations in uranium conversion

To implement the increase, we need a binding agreement to finalize the terms of the memorandum, and various approvals from our partner and the government. We expect our ability to double annual uranium production at Inkai will be closely tied to the success of the uranium conversion project.
Managing our risks

Regulatory approvals
In 2010, Inkai received approval in principle to produce 3.9 million pounds per year (100% basis) and is seeking final approval with an amendment to the resource use contract.

Our 2011 and future annual production targets and mineral reserve estimates assume Inkai receives the necessary government approvals and the support of our partner, Kazatomprom. More specifically, Inkai must:

- obtain final approval to produce at an annual rate of 3.9 million pounds (our share 2.3 million pounds)
- obtain the necessary permits and approvals to produce at an annual rate of 5.2 million pounds (our share 3.1 million pounds)
- ramp up production to an annual rate of 5.2 million pounds this year

We expect Inkai to receive all of the necessary permits and approvals to meet its 2011 and future annual production targets and we anticipate it will be able to ramp up production as noted above.

There is no certainty, however, Inkai will receive these permits or approvals or that it will be able to ramp up production this year. If Inkai does not, or if the permits and approvals are delayed, then Inkai may be unable to achieve its 2011 and future annual production targets and we may have to recategorize some of Inkai’s mineral reserves as resources.

Taxes
A new tax code became law in Kazakhstan on January 1, 2009, and the resource use contract was amended to adopt it. We do not expect the new tax code to have a material impact at this time, but the elimination of tax stabilization under the new tax code could be material in the future. Under the new tax code, Inkai’s corporate income tax rate is 20% and the rate used to calculate the mineral extraction tax on uranium is 22%. See our annual information form for an overview of the changes brought about by the new tax code.

Supply of sulphuric acid
The supply of sulphuric acid has not been an issue for Inkai this year. However, given the importance of sulphuric acid to Inkai’s mining operations, we continue to closely monitor its availability. Our production may be less than forecast if there is a shortage.

Political risk
Kazakhstan declared itself independent in 1991 after the dissolution of the Soviet Union. Our Inkai investment, and our plans to increase production, are subject to the risks associated with doing business in developing countries, which have significant potential for social, economic, political, legal, and fiscal instability. Kazakh laws and regulations are still developing and their application can be difficult to predict. To maintain and increase Inkai production, we need ongoing support, agreement and co-operation from our partner and the government.


In general, Inkai’s licences are governed by the version of the subsoil law that was in effect when the licences were issued in April 1999, and new legislation applies to Inkai only if it does not worsen Inkai’s position. Changes to legislation related to national security, among other criteria, however, are exempt from the stabilization clause in the resource use contract. The Kazakh government interprets the national security exemption broadly.

With the new subsoil law, the government continues to weaken its stabilization guarantee. The government is broadly applying the national security exception to encompass security over strategic national resources.

The resource use contract contains significantly broader stabilization provisions than the new subsoil law, and these contract provisions currently apply to us.

To date, the new subsoil law has not had a significant impact on Inkai. We continue to assess the impact. See our annual information form for an overview of this change in law.

We also manage the risks listed on pages 54 and 55.
Cigar Lake

Cigar Lake is the world’s second largest high-grade uranium deposit, with grades that are 100 times the world average. We are a 50% owner, and the mine operator, and expect the operation to use available capacity at our Rabbit Lake mill.

Cigar Lake, which is being developed, is one of our three material uranium properties.

<table>
<thead>
<tr>
<th>Location</th>
<th>Saskatchewan, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>50.025%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>Deposit type</td>
<td>underground</td>
</tr>
<tr>
<td>Estimated reserves (our share)</td>
<td>104.7 million pounds (proven and probable)</td>
</tr>
<tr>
<td>Average reserve grade</td>
<td>U₃O₈ – 17.04%</td>
</tr>
<tr>
<td>Estimated resources (our share)</td>
<td>0.6 million pounds (measured and indicated)</td>
</tr>
<tr>
<td></td>
<td>66.8 million pounds (inferred)</td>
</tr>
<tr>
<td>Mining method</td>
<td>jet boring</td>
</tr>
<tr>
<td>Target production date</td>
<td>mid-2013</td>
</tr>
<tr>
<td>Target annual production (our share)</td>
<td>9 million pounds after rampup</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$27.7 million (to the end of construction)</td>
</tr>
</tbody>
</table>

Background

Development

We began developing the Cigar Lake underground mine in 2005, but development was delayed due to water inflows (two in 2006 and one in 2008). The first inflow flooded shaft 2, while it was under construction. The second inflow flooded the underground development and we began remediation late in 2006. In 2008, another inflow interrupted the dewatering of the underground development. We sealed the inflows and completed dewatering of shafts 1 and 2. In 2010, we continued remediation of the underground.
Mining method
We will use a number of innovative methods and techniques to mine the Cigar Lake deposit:

- **Bulk freezing** — The sandstone that overlays the deposit and basement rocks is water-bearing, with large volumes of water under significant pressure. We will freeze the ore zone and surrounding rock in the area to be mined, to prevent water from entering the mine and to help stabilize weak rock formations.

  In the past, bulk freezing has been done from underground. In 2010, however, we tested and began to implement an innovative surface freeze strategy, which we expect will provide the following benefits:
  - reduce risk to the production schedule by advancing the availability of frozen ground and simplifying construction activities underground by moving some of the freezing infrastructure to surface
  - move up to 10 million pounds forward in the production schedule
  - improve mining costs and economics of the project

  We expect the capital cost for surface freezing will be $80 to $85 million (100% basis). Our plan is to use a hybrid freezing approach. We will use surface freezing to shorten the rampup period and utilize underground freezing for the longer term development of the mine.

- **Jet boring** — After many years of test mining, we selected jet boring, a non-entry mining method, which we have developed and adapted specifically for this deposit. This method is new to the uranium mining industry. Overall, our initial test program was a success and met all initial objectives. This method, however, has not been proven at full production. As we ramp up production, there may be some technical challenges, which could affect our production plans.

  We are confident we will be able to solve challenges that may arise, but failure to do so would have a significant impact on our business.
Milling
For approximately two years after mining begins, we expect all Cigar Lake ore to be processed at Areva's McLean Lake JEB mill. After production ramps up to planned full capacity, the JEB mill is expected to ship a portion of the uranium solution from milling of Cigar Lake ore to the Rabbit Lake mill for processing.

2010 update
During the year, we:
- completed dewatering the underground development
- substantially completed cleanup, inspection, assessment and securing of the underground development areas
- we prepared the ground around shaft 2 for freezing in preparation to resume shaft sinking
- began implementing a surface freeze strategy we expect will shorten the rampup period for the project by bringing forward uranium production into the early years and improve mining costs and project economics
- increased installed pumping capacity
- completed backfilling of the 420 and 465 metre levels
- resumed underground development in the south end of the mine
- completed the 2010 surface drilling program

Costs
As of December 31, 2010, we had:
- invested $492 million for our share of the construction costs to develop Cigar Lake
- invested $262 million related to test mining and infrastructure development (prior to our 2005 development decision)
- expensed $81 million in remediation expenses, including about $17 million in 2010

Exploration
We initiated a surface drilling program, which we expect will further delineate mineral resources to the east and west of current reserves.

Planning for the future
In 2011, we expect to:
- finish restoring all remaining underground mine systems, infrastructure and underground development areas
- complete the work to secure the mine
- resume underground construction
- complete the sinking of shaft 2
- complete the surface ore loadout facilities
- procure additional equipment for the jet boring system
- work to obtain regulatory approval of the environmental assessment that will allow the release of treated water directly to Seru Bay of Waterbury Lake
- work to obtain regulatory approval for the Cigar Lake mine plan

Technical report
In the technical report filed in 2010, we reported $912 million (100% basis) as our expected share of the total capital costs to complete the Cigar Lake project. This included completion of the underground development and surface construction, and completion of modifications at the Rabbit Lake and McLean Lake mills.

Later in 2011, we plan to issue a new technical report for Cigar Lake to reflect developments during 2010, including our decision to proceed with the surface freeze strategy. In the report, we will update our estimates including our capital cost estimate and production rampup schedule.
Production

We are targeting initial production to begin in mid-2013.

The costs to complete Cigar Lake and our target dates for securing the mine and for initial production are forward-looking information. They are based on the assumptions and subject to the material risks discussed on pages 2 and 3, and specifically on the assumptions and risks listed here.

Assumptions

- natural phenomena, an equipment failure or other causes do not result in a material delay or disruption in our plans
- there are no additional water inflows
- the seals or plugs used for previous water inflows do not fail
- there are no labour disputes or shortages
- we obtain contractors, equipment, operating parts, supplies, and regulatory permits and approvals when we need them
- our mine plans are achieved, our processing plants are available and function as designed, sufficient tailings capacity is available and our mineral reserve estimates are accurate

Material risks

- an unexpected geological, hydrological or underground condition, such as an additional water inflow, further delays our progress
- we cannot obtain or maintain the necessary regulatory permits or approvals
- natural phenomena, labour disputes, equipment failure, delay in obtaining the required contractors, equipment, operating parts or supplies, or other reasons cause a material delay or disruption in our plans
- our mining plans change or do not succeed, our processing plants are not available or do not function as designed, sufficient tailings capacity is not available and our mineral reserve estimates are not accurate

Managing our risks

Cigar Lake is a challenging deposit to develop and mine. These challenges include control of groundwater, weak rock formations, radiation protection, water inflow, mining method uncertainty, regulatory approvals, tailings capacity, surface and underground fires and other mining-related challenges. To reduce this risk, we are applying our operational experience and the lessons we have learned about water inflows at McArthur River and Cigar Lake.

The greatest risk to development and production is from water inflows. The 2006 and 2008 water inflows were significant setbacks.

The consequences of another water inflow at Cigar Lake would depend on its magnitude, location and timing, but could include a significant delay in Cigar Lake's remediation, development or production, a material increase in costs and a loss of mineral reserves. Although we are taking the following steps to mitigate the risks of water inflow, there can be no guarantee that these will be successful:

Bulk freezing

Two of the primary challenges in mining the deposit are control of groundwater and ground support. Bulk freezing reduces but does not eliminate the risk of water inflows.

Mine development

Our approach is to carry out extensive grouting and careful placement of mine development away from known groundwater sources whenever possible. In addition, we assess all planned mine development for relative risk, and apply extensive additional technical and operating controls for all higher risk development.
Pumping capacity and treatment limits

We increased our pumping capacity this year to meet our standard for this project, which is to secure pumping capacity of at least one and a half times the estimated maximum inflow.

We believe we have sufficient pumping, water treatment and surface storage capacity to handle the estimated maximum inflow.

We also manage the risks listed on pages 54 and 55.
Uranium — projects under evaluation

**Kintyre**
Kintyre, which we acquired with a partner in 2008, adds potential for low-cost production and diversifies our geographic reach and deposit types. We are the operator.

<table>
<thead>
<tr>
<th>Location</th>
<th>Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>70%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>Deposit type</td>
<td>open pit</td>
</tr>
</tbody>
</table>

**Background**
In August 2008, we paid $346 million (US) to acquire a 70% interest in Kintyre.

**2010 update**
This year we:
- began the process for negotiating a mine development agreement with the Martu, the native land title holders for this property
- built a construction camp to support the prefeasibility assessment of the project
- completed a delineation drilling program
- carried out metallurgical testing to define the milling process
- initiated mining and infrastructure studies for the prefeasibility study
- initiated a hydrogeological drilling program to confirm process water supply
- carried out environmental baseline studies
- submitted the environmental referral document to initiate the environmental assessment process and submitted the environmental scoping document
- trained and hired a significant number of Martu people

**Planning for the future**
Our plan for 2011 is to keep moving the project towards a production decision. We expect to:
- generate a National Instrument 43-101 mineral resource estimate
- complete a memorandum of understanding for a mine development agreement with the Martu
- carry out further exploration drilling to test potential extensions of the deposit
- submit an environmental review and management program
- complete the prefeasibility study and decide whether to proceed to the feasibility stage

**Managing the risks**
To successfully develop this project, we need a positive feasibility study, regulatory approval and an agreement with the Martu. We also manage the risks listed on pages 54 and 55.
Uranium – projects under evaluation

Millennium

Millennium is a uranium deposit in northern Saskatchewan that we expect will use the mill at Key Lake. We are the operator.

<table>
<thead>
<tr>
<th>Location</th>
<th>Saskatchewan, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>42%</td>
</tr>
<tr>
<td>End product</td>
<td>U₃O₈</td>
</tr>
<tr>
<td>Deposit type</td>
<td>underground</td>
</tr>
<tr>
<td>Estimated resources</td>
<td>21.4 million pounds (indicated)</td>
</tr>
<tr>
<td>(our share)</td>
<td>4.3 million pounds (inferred)</td>
</tr>
</tbody>
</table>

Background

The Millennium deposit was discovered in 2000. The deposit was delineated through geophysical survey and drilling work between 2000 and 2007.

2010 update

This year we:
- completed our mine design with positive results achieved
- continued work on the environmental assessment, preparing us to submit the environmental impact statement late in 2011 or early 2012

Planning for the future

Our plan for 2011 is to keep moving the project towards a production decision. We expect to:
- complete the environmental assessment work and submit the environmental impact study to the regulators late in 2011 or early 2012
- undertake additional studies and design work required to advance the project

Managing the risks

The English River First Nation (ERFN) has selected surface lands covering the Millennium deposit in a claim for Treaty Land Entitlement (TLE). The Saskatchewan government has rejected the selection, but the ERFN has challenged the government’s decision in the courts. The TLE process does not affect our mineral rights, but it could have an impact on the surface rights and benefits we ultimately negotiate as part of the development of this deposit.

We also manage the risks listed on pages 54 and 55.
Uranium – exploration

Exploration is key to ensuring our long-term growth, and since 2002 we have more than tripled our annual investment.

![Exploration and development spending graph]

2010 update

Brownfield exploration
Brownfield exploration is uranium exploration near our existing operations, and includes expenses for advanced exploration projects where uranium mineralization is being defined.

We spent $11 million in five brownfield exploration projects, and $48 million for resource delineation at Kintyre and Inkai block 3.

Regional exploration
We spent about $37 million in regional exploration programs (including support costs). Saskatchewan was the largest region, followed by Australia, northern Canada, Asia, and South America.

We own a 30% interest in the Phoenix deposit, part of the Wheeler River joint venture in Saskatchewan, operated by 60% owner Denison Mines. In 2010, an initial estimate of 36 million pounds indicated mineral resources (100%) for zone A, the largest of four known mineralized zones of the deposit, was announced.

Plans for 2011
We plan to spend approximately $90 million on uranium exploration in 2011 as part of our long-term strategy. This includes activities at our projects under evaluation.

Brownfield exploration
About $9 million will be spent on five brownfield exploration projects in the Athabasca Basin and Australia. Our expenditures on projects under evaluation are expected to total $22 million, with the largest amounts spent on Kintyre and on further delineation of the Inkai block 3 resource.

Regional exploration
We expect to spend about $60 million on 54 projects worldwide, the majority of which are at drill target stage. Among the larger expenditures planned are $8 million on two adjacent projects in Nunavut, $5 million directed towards new targets in South Australia and Argentina, and a $4 million expenditure on the Wellington Range project in Northern Territory, Australia.
Fuel services – refining

Blind River refinery

Blind River is the world’s largest commercial uranium refinery, refining U₃O₈ from mines around the world into UO₃.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ontario, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>UO₃</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>approved: 18 million kgU as UO₃ per year application: 24 million kgU as UO₃ per year</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$36 million</td>
</tr>
</tbody>
</table>

2010 update

Production

Our Blind River refinery produced 12.4 million kgU of UO₃, in line with our forecast. This ensured that SFL maintained its contractual inventories and Port Hope met its production requirements.

Managing our risks

We manage the risks listed on pages 54 and 55.
Fuel services — conversion and fuel manufacturing

We control about 35% of western world UF₆ capacity.

**Port Hope conversion services**

Port Hope is the only uranium conversion facility in Canada, and one of only four in the western world. It is the only commercial supplier of UO₂ for Canadian-made Candu reactors.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ontario, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>UF₆, UO₂</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>12.5 million kgU as UF₆ per year</td>
</tr>
<tr>
<td></td>
<td>2.8 million kgU as UO₂ per year</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$96 million</td>
</tr>
</tbody>
</table>

**Cameco Fuel Manufacturing Inc. (CFM)**

CFM produces fuel bundles and reactor components for Candu reactors.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ontario, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>100%</td>
</tr>
<tr>
<td>End product</td>
<td>Candu fuel bundles and components</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 9001 certified</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>1.2 million kgU as UO₂ as finished bundles</td>
</tr>
<tr>
<td>Estimated decommissioning cost</td>
<td>$18 million</td>
</tr>
</tbody>
</table>

**Springfields Fuels Ltd. (SFL)**

SFL is the newest conversion facility in the world. We contract almost all of its capacity through a toll-processing agreement to 2016.

<table>
<thead>
<tr>
<th>Location</th>
<th>Lancashire, UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll-processing agreement</td>
<td>annual conversion of 5 million kgU as UO₂ to UF₆</td>
</tr>
<tr>
<td>Licensed capacity</td>
<td>6.0 million kgU as UF₆ per year</td>
</tr>
</tbody>
</table>
2010 update

Production
Fuel services production was 15.4 million kgU in 2010, in line with our target of 15 million to 16 million kgU. Production was 25% higher than in 2009 due to the routine operation of the Port Hope UF$_6$ plant, which did not operate for most of the first half of 2009.

Port Hope conversion facility cleanup and modernization (Vision 2010)
We submitted the draft environmental impact statement for review by the regulators in December.

Collective agreement
Unionized employees at the Port Hope conversion facility voted to accept a new, three-year collective agreement. The agreement expires June 30, 2013.

Community outreach
We continued to strengthen our community outreach program in Port Hope by:
- holding a series of community forums
- making presentations to municipal council
- reaching out using community newsletters, newspaper advertising, public displays, open houses and a website dedicated to the Port Hope community

Public opinion research shows we have a strong level of local support.

Planning for the future

Production
We expect total production to be between 15 million and 16 million kgU in 2011.

Port Hope conversion facility cleanup and modernization (Vision 2010)
In 2011, we expect to:
- continue with the environmental assessment process for this project
- finalize the environmental impact statement

Managing our risks

We manage the risks listed on pages 54 and 55.
Electricity

**Bruce Power Limited Partnership (BPLP)**

BPLP leases and operates four Candu nuclear reactors that have the capacity to provide about 15% of Ontario’s electricity.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ontario, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>31.6%</td>
</tr>
<tr>
<td>ISO certification</td>
<td>ISO 14001 certified</td>
</tr>
<tr>
<td>Expected reactor life</td>
<td>2018 to 2021</td>
</tr>
<tr>
<td>Term of lease</td>
<td>2018 – right to extend for up to 25 years</td>
</tr>
<tr>
<td>Generation capacity</td>
<td>3,260 MW</td>
</tr>
</tbody>
</table>

**Background**

We are the fuel procurement manager for BPLP’s four nuclear reactors and for Bruce A Limited Partnership’s (BALP) two operating reactors.

We provide 100% of BPLP’s uranium concentrates and have agreed to supply BALP with the majority of its future uranium concentrates. Sales to BPLP and BALP are also a substantial portion of our fuel manufacturing business and an important part of our UO₂ business.

**2010 update**

**Output**

BPLP’s capacity factor was 91%.

**Collective agreements**

The collective agreements with the Power Workers’ Union and the Society of Energy Professionals expired in December. BPLP has reached a tentative agreement with the Power Workers’ Union and discussions with the Society are underway.

**Planning for the future**

**Output**

We expect the capacity factor to be 89% in 2011 and actual output to be about 2% lower than 2010.

**Managing our risks**

BPLP manages the unique risks associated with operating Candu reactors. The amount of electricity generated, and the cost of that generation, could vary materially from forecast if planned outages are significantly longer than planned, or there are many unplanned outages, either for maintenance, regulatory requirements, equipment malfunction or due to other causes.

BPLP also manages the risks listed on pages 54 and 55.