



POWER ON

2011 Annual Financial Review

Cameco's vision is to be a dominant nuclear energy company producing uranium fuel and generating clean electricity. Our goal is to be the supplier, partner, investment and employer of choice.



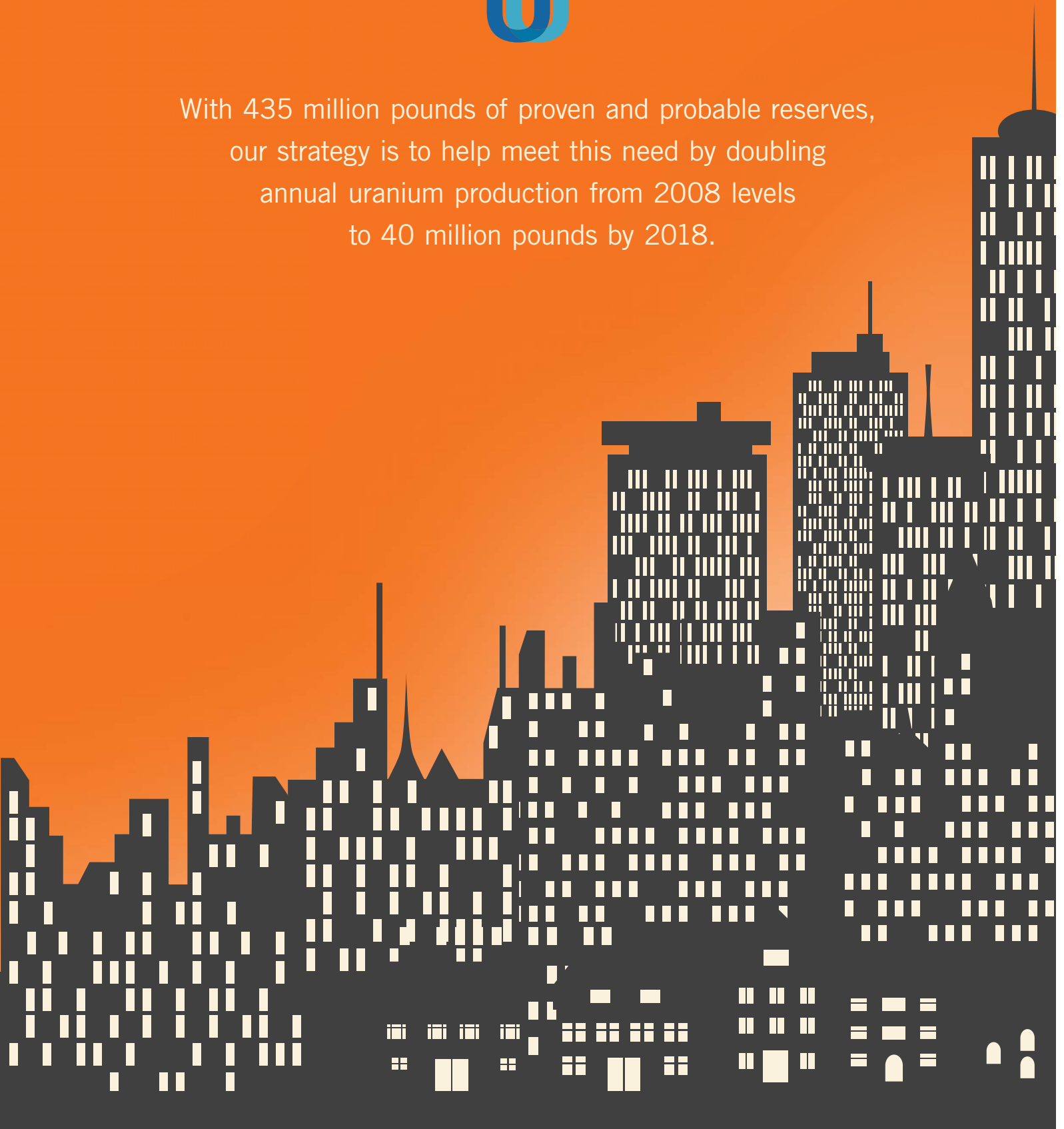
Around the world, demand for energy continues to expand and nuclear remains an important part of the energy mix.

As a result, we expect demand for uranium to grow, and along with it the need for new supply.





With 435 million pounds of proven and probable reserves,
our strategy is to help meet this need by doubling
annual uranium production from 2008 levels
to 40 million pounds by 2018.



Message from the Chair

Dear Shareholder,

2011 was certainly a year of change. The March events in Japan have had a significant impact on the nuclear industry, but an even bigger impact on the people of that country, many of whom are our customers and friends, and our thoughts are with them as they continue to rebuild.

As for our industry, it faced a challenging environment this year. However, Cameco's performance, as you'll see in this report, continued to be positive, and looking forward, the long term fundamentals for the industry remain strong.

The board is responsible for overseeing management to ensure the company stays on course to achieve its strategy to increase annual uranium production to 40 million pounds by 2018, and deliver value to you, the shareholder. With this in mind, the board and its committees have been devoting more time and attention to risk oversight, strategic planning and succession planning.

Risk oversight is important as the company focuses on its goal of increased production. The board works with management to identify the company's principal risks, and to ensure we have a robust system for managing them across the organization. In 2011, the board enhanced the established process by approving a formal risk policy that increases reporting to the board.

Strategic planning is also key to our long-term success, and the board has been taking a more active role, working closely with management on plans for the company's future. As a result, we are pleased with the progress to date and confident in management's strategy to achieve its goals.

On the subject of management, 2011 saw a successful CEO transition at Cameco, with Tim Gitzel stepping seamlessly into the role after Jerry Grandey's retirement in June. The board had an active role in the succession plan, and is pleased that it was possible to find such a qualified candidate within the company. Tim brings a wealth of experience to the position, including a deep knowledge of Cameco and its operations, as well as wider experience of the industry from his years spent at Areva.

In addition, Grant Isaac was appointed chief financial officer, and Alice Wong was appointed senior vice-president, corporate services. Ken Seitz was also new to his role, completing his first year as senior vice-president, marketing and business development. This new management team has a mix of experience and enthusiasm that led to excellent results in 2011, and we believe will prove to be effective in the years to come.

The board itself gained two new members in 2011—president and CEO, Tim Gitzel, and former Électricité de France senior executive, Daniel Camus. Both bring extensive industry experience to the board, as well as valuable international experience. For 2012, the nominating, corporate governance and risk committee and the board are also pleased to announce Ian Bruce as a new nominated director. Mr. Bruce brings experience in investment banking, finance and mergers and acquisitions.

The board is excited by the additions to management and the board, and the new energy they bring. We look forward to seeing this energy translating into increased value for you, our shareholders.

I would encourage you to take the opportunity to meet our management team and members of the board at this year's Annual General Meeting, which will be held May 15 in Saskatoon Saskatchewan. It's a great chance to meet Cameco's leadership and other shareholders, while also getting an overview of our operations and plans for the future.

Victor J. Zaleschuk
Chair of the board

March 6, 2012



Message from the CEO

Interview with President and CEO Tim Gitzel
on Cameco in 2011 and plans for the future

You have been CEO since July. What are your thoughts on your tenure thus far?

It's been a very busy and exciting time. We've made a lot of changes and progress in that time, including a seamless leadership transition and changes to senior management. We have a great team in place, and I'm looking forward to a good year in 2012.

What is your vision for the company?

Safety and the environment will always be number one for us. But we're also going to continue the strong production we've had over the past couple years and continue on the path of our Double U strategy—our plan to grow our annual uranium production to 40 million pounds by 2018. Of course, we'll pursue all of this with a focus on profitability.

What about the attempt to acquire Hathor this year? Is this a departure from the approach taken in the past? Will M&A be more of a focus for you as a CEO?

I don't see this as a departure. We're always scouring the globe for opportunities that fit our business, and this was a case that we thought would be a good fit for Cameco. What didn't end up corresponding to our view was the valuation it reached. We take a very disciplined financial approach, and so were not willing to go any higher on our offer. I think that the Hathor bid shows our continued commitment to growth, but in a way that corresponds to our financial discipline, all of which is right in line with the vision of the company.

What do you see as Cameco's greatest strengths?

Our primary strength is our world-class assets—we have over 435 million pounds of proven and probable reserves, which includes high-grade deposits like McArthur River and Cigar Lake.

Added to that is the talented workforce we have that gives us the ability to find innovative solutions to issues and to continue to produce safely at our existing operations around the world.

These combined strengths are what make us a world leader in our field.

The nuclear event in Japan was obviously the most significant occurrence of the year. What are your thoughts on the event and the impact it has had?

It was a very unfortunate event. The earthquake and tsunami were major tragedies that struck the Japanese people, and our thoughts and prayers are with the families affected by it.

Of course a lot of the focus turned to the nuclear reactors at Fukushima Daiichi and what happened there. The industry is learning from that, and applying the lessons learned to make the nuclear industry even safer. I had a chance to go over to Japan shortly after the accident to view the situation first-hand. I also met with our customers and partners to assure them of Cameco's support and to offer any assistance we could.

Some of the repercussions since then have been a questioning of the role of nuclear going forward, particularly in Japan and Germany. That has had an effect on the industry and on uranium demand in the short term, as well as on Cameco's share price. But we think these things are temporary. We keep looking longer term, and that longer term story for nuclear is good.

We see that attitudes are strengthening again towards nuclear, which bodes well for the future. Over time I think we will regain our pre-Fukushima position, but right now we're having to work through the effects it has had on the industry.

What is your perspective on the future of the nuclear industry?

I've been in the business for many years. I've been an advocate, a supporter and a proponent, and I see the future of the nuclear industry as very bright. Today in the world, we see 63 units under construction. That's the most growth we've seen in decades.

China is leading the way with 26 units under construction; Russia is building, as are India and South Korea, while many other countries are preparing to get into the nuclear business. Some of the Arab states are having to move away from burning oil and other fossil fuels, and are moving toward nuclear. All of that is good news for our business.

Cameco wants to remain the world leader in supplying uranium to utilities around the world. So, given the lead times required to bring new production on, we need to get moving now to supply this growing world appetite for uranium.

What have been the highlights of 2011?

There have been many. Certainly our strong environmental and safety records continue. Safety milestones were reached at our Blind River, Crow Butte and Cigar Lake operations.

Production was strong in 2011, and we keep getting closer to production at Cigar Lake. A lot of work was completed there in 2011, which was topped off by the shaft 2 breakthrough on the 480 level. That was a big accomplishment and important for work going forward.

We were very active on the corporate development side, and made a successful deal with AREVA and the other Cigar Lake partners to optimize the milling of Cigar Lake ore. We also signed a Memorandum of Understanding with our partner at Inukai to lay the groundwork to increase production there.

The biggest story this year, though, is our financial performance. We achieved a number of records, including annual revenue and gross profit from our nuclear business, driven by record results in our uranium segment.

I'm very proud of our results because they show that, even faced with a challenging environment, as we were in 2011, we are still able to deliver on our goals, and do it in a safe and responsible manner.

What is your road map for 2012 and the years to come?

We're going to continue doing what we've been doing. We need to work safely every day at our operations and protect the environment. We need to keep focus on our existing operations while we're working on our strategy to double production—to make sure we have our home base covered—but also keep working on developing new projects around the world.

It's also important to make sure we provide a good workplace for our people and to give back to the communities in which we operate. It's very important for us that we make a difference in our communities.

We did extraordinarily well in 2011 and will continue to do so in 2012.



Tim Gitzel
President and CEO

Management's discussion and analysis

2011 Highlights.....	4
The nuclear fuel cycle	7
About Cameco.....	8
The nuclear industry today	11
The long-term view.....	14
Our strategy.....	17
Financial results	32
Our operations and development projects.....	61
Mineral reserves and resources	96
Additional information	101

2011 Consolidated financial statements

Report of management's accountability	104
Auditor's report.....	105
Consolidated financial statements.....	106
Notes to consolidated financial statements	111

Investor information..... inside back cover

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

Management's discussion and analysis

This management's discussion and analysis (MD&A) includes information that will help you understand management's perspective of our audited consolidated financial statements (financial statements) and notes for the year ended December 31, 2011. This information is based on what we knew on February 8, 2012.

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