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DOCKETED
USNRC

May 27, 2008 (8:00am)

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION
ATOMIC SAFETY AND LICENSING BOARD PANEL

OFFICE OF SECRETARY
RULEMAKINGS AND
ADJUDICATIONS STAFF

Before Administrative Judges:

Ann Marshall Young, Chair

Dr. Richard F. Cole

Dr. Fred W. Oliver

In the Matter of

CROW BUTTE RESOURCES, INC.
(In Situ Leach Facility, Crawford, NE)

Docket No. 40-8943

ASLBP No. 07-859-03-MLA-BD01

May 23, 2008

PETITIONERS' BRIEF CONCERNING CONTENTION E AND SUBPART G

Petitioners¹ hereby respectfully submit this Brief, pursuant to Judge Young's Order dated May 14, 2008. Specifically, Judge Young requested that this Brief address the question of "what standards should be applied, and what are the sources for any standards to be applied, in determining which criteria set forth in 10 CFR Section 40.32 are "applicable" in deciding whether to amend a license under Section 40.45, particularly in light of the principle that the standards for amendment of a license are generally the same as those for issuance of an original license. *See* 10 CFR Section 50.92." *Id.* at Paragraph 1. The first section of this Brief addresses Contention E and the foregoing issues and the second section of this Brief addresses the Subpart G issues pursuant to the Board's Memorandum and Order dated April 29, 2008 (corrected May 21, 2008) in LBP-06-08 ("Memorandum") at 129.

¹ By email dated May 23, 2008, Bruce Ellison, Attorney for Petitioners Owe Aku and Debra White Plume, approved of this Memorandum and authorized the undersigned to sign it on his behalf and to file it on behalf of his clients as well as WNRC represented by the undersigned.

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INTRODUCTION

The Petitioners have repeatedly challenged the legitimacy of the Applicant's license amendment on the grounds that the Applicant's status as a foreign corporation violates the explicit terms of the Atomic Energy Act of 1954, as amended (AEA), and the rules and regulations promulgated by the Commission thereunder. In order to assess the admissibility of the Petitioners' contentions with respect to the Applicant's ownership structure, and, specifically, whether the Applicant's complete ownership and domination by foreign interests violates applicable U.S. law, the Board, in the Memorandum and Order, requested that the parties As noted by the Board, "minimally, the regulations under 10 CFR Part 40 for "Domestic Licensing of Source Material" clearly require, at Section 40.32(d), that the "issuance of the license will not be inimical to the common defense and security or to the health and safety of the public." Long Island Lighting Co. (Shoreham Nuclear Power Station, Unit 1), LBP-84-45, 20 NRC 1343 , 1400 (1984), Memorandum at 122.

As noted by the Board, "previous Commission decisions regarding foreign ownership or control did not appear to turn on which particular nation the applicant was associated with." Id. Two key questions were posed by the Board: "(1) does Section 40.38 apply to bar issuance of a license amendment in this case; and (2) if not restricted under Section 40.38, does Section 40.32(d) bar issuance of the sought license amendment?" Id. For the reasons stated below, the AEA, and Section 40.32(d) clearly bar the issuance of the sought license amendment. Further, a fair reading of Section 40.38 also supports a bar to the issuance of the sought license amendment due to the

admitted foreign ownership and control of the licensed uranium mining activities by Cameco Corporation, a Canadian corporation (“Cameco”).

The issue of CBR’s foreign ownership, raised by Petitioners throughout this proceeding and repeated by the Board in slightly revised form in the Memorandum and Order, raises important questions with respect to the Applicant’s compliance, both presently and in the past, with federal statutory law and the rules and regulations of the NRC.

Given the importance of the AEA as means of ensuring nuclear security in the post-9/11 world, it is critically important that the issue of the Applicant’s foreign ownership be assessed in light of the Congressional mandate that nuclear material be regulated “in the national interest and in order to provide for the common defense and security and to protect the health and safety of the public.”² As discussed herein, Applicant’s ownership and complete domination by a Canadian corporation, and previous to that by undisclosed foreign interests through a complex partnership structure described below, violates the applicable regulatory scheme and flaunts laws specifically enacted by the U.S. Congress to ensure the health, security and safety of U.S. citizens. No less important is the Applicant’s consistent failure to make adequate disclosures and its flagrant, ongoing pattern and practice of disrespect for and noncompliance with NRC regulations.

Set forth below is an overview of the Applicant’s relevant corporate history, which has been gleaned from the limited public record. As noted below, Applicant has been embroiled in past legal battles with Petitioner WNRC respect to the illegal foreign

² See U.S.C. § 2133(d).

ownership, domination and control of Applicant in violation of Nebraska's Alien Ownership Act at Neb.Rev.Stat. 476-02. The Petitioners believe that, taken together, the Applicant's history and current actions before the Board demonstrate a disturbing pattern of violations which harm the national interest and are clearly contrary to the public health and welfare of the People of the United States. This must not be allowed to continue.

The upshot of all of this is that Cameco was able to acquire *de facto* ownership of a uranium mine and NRC source materials license when such acquisition could not have been accomplished by Cameco's direct purchase of the Applicant's common stock under applicable law, at the very least without a substantial Negation Plan (discussed below). Had Cameco sought to acquire the Applicant through the outright purchase of all of the Applicant's equity securities, it would have faced extensive security from the NRC, not to mention the public outcry that certainly would have followed. To allow the Applicant and Cameco do indirectly what they would have been prohibited from doing directly would be a travesty and would require an Act of Congress because no such authority is granted under the AEA. We note with interest the public and Congressional outcry several years ago that followed the proposed acquisition of several U.S. ports by a Dubai-based company. One can only imagine the outcry that would be triggered by a foreign company gaining access to America's uranium reserves. Ultimately, that acquisition of such ports by a foreign company was blocked on the grounds that it was inimical to national security. A much stronger case can be made with respect to mining, processing, transporting, marketing and exporting material as sensitive as uranium which is an obvious pre-cursor to weapons grade uranium.

Finally, due to the unclean hands of Applicant and its control persons and intentional disregard for applicable disclosure requirements, the proposed loopholes by Applicant (collectively, the "Cameco Loophole"), to the effect that a foreign person may secretly acquire ownership and control of a NRC licensed uranium mine in a staged corporate stock acquisition without public notice, hearings or disclosures³ as to foreign affiliations, must be permanently closed. While we are thankful that Cameco is a real corporation run by recognized business professionals, Petitioners share the Board's concerns that "previous Commission decisions regarding foreign ownership or control did not appear to turn on which particular nation the applicant was associated with."

³ Hearing Transcript from January 16, 2008 Chadron Hearing, at 350-351:

20 MR. SMITH: Well, if it helps shorten this
21 conversation a bit, there has never been a license
22 transfer in Crow Butte Resources. The operator has
23 stayed the same throughout the history of the project.
24 JUDGE YOUNG: So the ownership of the
25 operator changed?

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1 MR. SMITH: And I don't believe that
2 that's necessarily changed either. Maybe the owner of
3 the owner.
4 JUDGE YOUNG: Oh, well maybe -- well,
5 okay.
6 MS. JONES: That's part of what I was
7 going to say.
8 JUDGE YOUNG: In any event it's --
9 MR. SMITH: There's never been a need for
10 a license transfer.
11 MR. FRANKEL: Is that a legal opinion?
12 MR. SMITH: Yes.
13 JUDGE YOUNG: Okay.

Petitioners note that Mr. Smith's legal opinion on behalf of Applicant CBR that "there has never been a need for a transfer" directly conflicts with AEA Section 184 which provides that "[n]o license granted hereunder...shall be transferred, assigned or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of any license to any person, unless the Commission shall, after securing full information, find that the transfer is in accordance with the provisions of this Act, and shall give its consent in writing. 42 USC 2234 (emphasis added.) NRC Regulations Sections 40.41(b) and 40.46 also prohibit such transfers and show that Applicant's legal position as expressed by Mr. Smith above is indefensible.

Memorandum at 122. In addition, such prior Commission decisions must be evaluated in the context of the post-9/11 World in which we live.

In this case, we have the luxury of addressing these issues before a tragic incident occurs that is traceable to this Cameco Loophole. As a matter of pure legal analysis, however, there is absolutely no distinction between the ability to use the Cameco Loophole by legitimate Canadian business people and the same ability to use the Cameco Loophole by enemies of the United States to perpetrate horrible wrongdoing. Under the Cameco Loophole, such enemies would have legal grounds to acquire US based uranium and nuclear assets through a complex of subsidiary companies that conceal the true beneficial owners and control persons until it is too late. These technical legal grounds could enable the creation and use of weapons of mass destruction by enemies of the United States because Americans, including state and federal regulators, would be unwittingly assisting such enemies due to the secrecy of the foreign control. Then the Cameco Loophole and its proponents would be responsible for massive groundwater contamination and consequential injury to innocent Americans – how can that be in the national interest? How can that not be inimical to the common defense and security or to the health and safety of the public?

Even if such dire events never come to pass, and Petitioners sincerely hope and pray that they do not, it is clearly inimical to the common defense and security or to the health and safety of the public for foreign persons to be in control of US uranium mines because it encourages the operation of the mining operation itself in reckless disregard for the probability of ground water contamination to the surrounding aquifers and

communities. As described below, this is precisely what has happened in the case of the Crow Butte mine.

In addition, as described below, Applicant and its related persons have engaged in such an ongoing pattern and practice of deception, failure to disclose, reckless disregard for water quality and the probability of groundwater contamination and intentional failures to disclose material information to regulators including the NDEQ, NRC and Nebraska Attorney General so that the true foreign ownership could be concealed in violation of applicable law and NRC regulations. It is incumbent on the Board and the NRC in discharging their duties and responsibilities to immediately commence an investigation with the help of the US Department of Justice and FBI as needed to ascertain the true nature of the transactions described herein. The NRC should further exercise its discretion to suspend all of Cameco's licenses and license applications pending resolution of these important issues that go right to the integrity of the entire NRC and ASLB licensing process.

APPLICABLE STANDARDS

The Board conducted substantial analysis in the Memorandum regarding the applicability of AEA Section 103(d) and the defined term "Corporation" from NRC Regulations Section 40.4. While we agree with the Board's basic conclusions that such sections would logically and could legally be found to apply to bar the sought amendment in this case, there are other provisions of the AEA, NRC regulations thereunder and legal precedent in this area which all delineate applicable standards that bar issuance of the

sought after amendment without any expansion of any existing interpretations of AEA Section 103(d) which by its terms applies to utilization facilities and not to source material licensing.⁴

The NRC itself lacks authority under the AEA to grant a license or amendment where, as here, there is no benefit to the US national interest, common defense or security and there are clear detriments to the health and safety of the public. Mere technical compliance with NRC disclosure regulations does not in and of itself satisfy the purposes stated in the Atomic Energy Act, as amended. The United States Supreme Court has stated that a regulation “is not a reasonable statutory interpretation unless it harmonizes with the statute's ‘origin and purpose.’” US v Vogel Fertilizer Co., 455 US 16, 26 (1982). Accordingly, it is incumbent upon the NRC to evaluate the US national interest or common defense and security, or lack thereof, as well as the protection of public health and safety, or failure thereof in NRC’s evaluation of whether to issue a license. Furthermore, the NRC is required to deny a license amendment that would not serve the US national interest or common defense and security or would fail to protect public health and safety. Since the purposes of the AEA would not be served by honoring the Cameco Loophole or granting any license or amendment to a foreign owned, controlled and dominated applicant, this Contention E must be admitted and determined upon a proper record.

⁴ Petitioners note that in a post-9/11 World and especially in light of certain antiquated provisions such as those related to the now privatized USEC, a thorough re-examination of the regulatory framework applicable to source material licensing is required and the NRC would be authorized to suspend all source material licensing proceedings for a two year period in order to properly study the matter and make appropriate policy determinations and rulemaking. See, e.g., Westinghouse Electric Corp. v. NRC, 598 F.2d 759 (3rd Cir. 1979)(NRC authorized to impose two year moratorium on decision-making process on spent nuclear fuel and use in nuclear reactors of recovered plutonium).

A. Chevron Analysis Requires Following Expressed Congressional Intent and a Reasonable Interpretation Consistent with AEA

Any court reviewing this issue will be required to apply the standards set forth by the Supreme Court in Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 842-44 (1984) (“Chevron”). Under the Chevron analysis, judicial review of an agency’s interpretation of a statute under its administration is limited to a two-step inquiry. At the first step, we inquire into “whether Congress has directly spoken to the precise question at issue.” Id. at 842. If we can come to the “unmistakable conclusion that Congress had an intention on the precise question at issue,” State of Ohio v. United States Dep’t of Interior, 880 F.2d 432, 441 (D.C.Cir.1989), our inquiry ends there; this Court naturally “must give effect to the unambiguously expressed intent of Congress.” Chevron, 467 U.S. at 843. However, if the statute before us is “silent or ambiguous with respect to the specific issue,” before us, we proceed to the second step. Id. At this stage, we “defer to the agency’s interpretation of the statute if it is reasonable and consistent with the statute’s purpose,” Chemical Manufacturers Ass’n v. EPA, 919 F.2d 158, 162-63 (D.C.Cir.1990); we are not free to “impose [our] own construction on the statute, as would be necessary in the absence of an administrative interpretation.” Chevron, 467 U.S. at 843 (footnote omitted). The NRC’s regulations must be reviewed under the Chevron rubric. Nuclear Information Resource Serv. V. NRC, 969 F.2d 1169, 1173 (DC Cir. 1992).

B. Unambiguous Congressional Intent Expressed in AEA

In this case, Congress has unambiguously expressed its intent that atomic energy and source material be regulated in the US national interest to assure the common defense and security and to protect the health and safety of the public. The AEA expressly provides that

“the Congress of the United States hereby makes the following findings concerning the development, use and control of atomic energy:....[t]he development, utilization, and control of atomic energy for military and for all other purposes are vital to the common defense and security, [t]he processing and utilization of source material must be regulated in the national interest and in order to provide for the common defense and security and to protect the health and safety of the public, and [s]ource and special nuclear material, production facilities, and utilization facilities are affected with the public interest, and regulation by the United States of the production and utilization of atomic energy and of the facilities used in connection therewith is necessary in the national interest to assure the common defense and security and to protect the health and safety of the public. AEA Section 2012(a), (c)(d)(e); 42 USC §2012.

Significantly, the national interest and common defense aspects include protecting the health and safety of the public, including the environment and water resources.

“The Atomic Energy Act was passed years before broader environmental concerns prompted enactment of the Environmental Protection Policy Act. Yet many of those same concerns permeated provisions of the first-mentioned legislation and the regulations promulgated in accordance with its mandate. To say that these must be regarded independently of the constantly increasing consciousness of environmental risks reflected in proceedings with reference to NEPA, would make for neither practicality nor sense. Nor can AEA requirements be viewed separate and apart from NEPA considerations. Especially in view of NEPA, it also is unreasonable to suppose that risks are automatically acceptable, and may be imposed upon the public by virtue of AEA, merely because operation of a facility will conform to the Commission’s basic health and safety standards. The weighing of risks against benefits in view of the

circumstances of particular projects is required by NEPA in view of AEA. The two statutes and the regulations promulgated under each must be viewed in *para material*.” Citizens for Safe Power, Inc. v. NRC, 524 F.2d 1291, 1299 (DC Cir. 1975).

C. AEA Sections 62 and 69 Directly Apply To Bar Foreign Ownership of Applicant

AEA Sections 62 and 69 are the most directly applicable as they expressly govern source material. This matter may be resolved without a new interpretation of AEA Section 103(d). Additional guidance from AEA Section 103(d) is allowable due to the operation of Section 2012(f) quoted above that **“source...material...and utilization facilities are affected with the public interest, and regulation by the United States of the production and utilization of atomic energy and of the facilities used in connection therewith is necessary in the national interest to assure the common defense and security and to protect the health and safety of the public.”** 42 USC §2012 (e) (emphasis added). Under Vogel, infra, any NRC Regulations must be interpreted consistently with these Congressionally expressed purposes in order to be effective under Chevron.

AEA Section 61 provides that the Commission may make certain determinations concerning source material provided that before making such determination, the Commission must “find that the determination that such material is source material is in the interest of the common defense and security. 42 USC 2091. AEA Section 62 provides that “no person may transfer or receive in interstate commerce, transfer, deliver,

receive possession of or title to, or import into or export from the United States any source material after removal from its place of deposit in nature. 42 USC 2092. AEA Section 69 provides that **“[t]he Commission shall not license any person to transfer or deliver, receive possession of or title to, or import into or export from the United States any source material if, in the opinion of the Commission, the issuance of a license to such person for such purpose would be inimical to the common defense and security or the health and safety of the public.”** 42 USC 2099 (emphasis added).

As a result, AEA Section 69 contains the dispositive rule.

For additional guidance, we may look to AEA Section 103(d), which states “[n]o license [for a utilization facility] may be issued to an alien or any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government. In any event, no license may be issued to any person within the United States if, in the opinion of the Commission, the issuance of a license to such person would be inimical to the common defense and security or to the health and safety of the public.” 42 USC 2133(d).

Similarly, AEA Section 126, concerning export licensing, provides that no export license may be issued for source material until the Commission has been notified by the Secretary of State that it is the judgment of the executive branch that the proposed export or exemption will not be inimical to the common defense and security, and would not be inimical to the common defense and security because it lacks significance for nuclear explosive purposes. 42 USC 2155.

In order to obtain a source materials license from the NRC, an applicant must file a license application under AEA Section 182. 42 USC 2232. Each application shall be in writing and “shall specifically state such information as the Commission, by rule or regulation, may determine to be necessary to decide such of the technical and financial qualifications of the applicant, the character of the applicant, **the citizenship of the applicant**, or any other qualifications of the applicant as the Commission may deem appropriate for the license. *Id.* (emphasis added.) Further, licenses issued under the AEA are not transferable, directly or indirectly, through transfer of control or otherwise unless full disclosure is made to the NRC and the NRC “after securing full information” finds that the transfer is in accordance with the provisions of the AEA. 42 USC 2234.

In order to find that the transfer is in accordance with the AEA, the NRC would have to make a determination under AEA Section 69 that the transfer is not inimical to the common defense and security or the health and safety of the public. 42 USC 2099. Since AEA Section 182 requires the citizenship of the license applicant to be disclosed and evaluated in connection with making a determination under AEA Section 69 as to whether granting the request would be inimical to the common defense and security or the health and safety of the public, it is clear that the determination of foreign ownership, control and domination is a statutory requirement that transcends all of the applicable NRC regulations concerning the issuance and transfers of various kinds of licenses.

D. AEA Section 103(d) Is Very Influential and Persuasive.

Since the Congressional purposes stated in AEA Section 2 are the same for source material as for utilization facilities, the guidance provided by AEA Section 103(d) is highly persuasive. Further, Petitioners submit that the additional specificity in Section 103(d) beyond the general “inimical” standard found elsewhere in the AEA is simply a function of the greater quantum of funds and litigation involved in nuclear power plants. The fact that Section 103(d) expressly prohibits the issuance of a license to a foreign owned, controlled or dominated applicant should support a logical conclusion and reasonable interpretation under AEA Section 69 that foreign ownership, control and domination, particularly when undisclosed as in the present case, is a bar to the issuance of a license (and by extension of the principle through 10 CFR Section 50.92) to Applicant CBR.⁵ See Section I below for a discussion of influential and persuasive Commission precedent under AEA Section 103(d).

E. Applicable NRC Rules and Regulations.

The NRC Regulations are for the most part consistent with the Congressional intent discussed above. Significantly, under Regulations Section 40.2, the regulations in Part 40 apply to all persons in the United States. 10 CFR § 40.2. In this case, if the Applicant’s position were to be accepted, how would the control persons of the parent company of Applicant be made subject to NRC Regulations if Section 40.2 makes them

⁵ Petitioners note that Section 50.92 provides that in determining whether an amendment to a license will be issued to the applicant, the Commission will be guided by the considerations which govern the issuance of initial licenses, to the extent applicable and appropriate and that the Commission will be particularly sensitive to a license amendment request that involves irreversible consequences, such as the irreversible use of water in Applicant’s ISL mine. 10 CFR 50.92.

applicable only to persons in the United States? If Applicant's corporate shares are secretly acquired, at what point in the process does NRC have an opportunity to secure full information and obtain sufficient assurances in a "Negation Plan" (through contracts, corporate restructuring, such as a "spin-off" of US assets to public shareholders, or otherwise) to neutralize the risks associated with foreign ownership, control and domination of an NRC licensee.

As discussed above, AEA Section 189 requires a written license application which states the citizenship of the applicant, all information required by NRC regulations and regulators. NRC Regulation Section 40.9 provides that all information provided to the Commission by Applicant shall be complete and accurate in "all material respects" which can be read to mean that the Applicant has disclosed all information that a reasonably prudent regulator would consider important in making a licensing decision.⁶ 10 CFR 40.9(a). Further, Section 40.9(b) requires Applicant to notify the Commission if Applicant has identified information having a significant implication for public health and safety or common defense and security. Accordingly, the Cameco Loophole must be rejected because it would conflict with the disclosure requirements of Section 40.9. Petitioners note that there is a private cause of action for violations of the AEA, including

⁶ Rules for establishing materiality under federal law are well-established by the Supreme Court under the securities laws, see TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976), concluding in the proxy-solicitation context that "[a]n omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote." Id., at 449. Acknowledging that certain information concerning corporate developments could well be of "dubious significance," id., at 448, 96, the Court was careful not to set too low a standard of materiality; it was concerned that a minimal standard might bring an overabundance of information within its reach, and lead management "simply to bury the shareholders in an avalanche of trivial information—a result that is hardly conducive to informed decisionmaking." Id., at 448-449. It further explained that to fulfill the materiality requirement "there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." Id., at 449. We now expressly adopt the TSC Industries standard of materiality for the § 10(b) and Rule 10b-5 context. Basic Inc. v. Levinson, 485 US 224, 231-232 (1988).

violations of the disclosure requirements therein. Drake v. Detroit Edison, 443 F.Supp. 833, 837 (WD Mich. 1978).⁷ Petitioners further assert that the same type of due diligence obligations apply to professionals in preparing and filing NRC applications as are applicable to professionals preparing and filing SEC documents. See, e.g., Escott v. BarChris Const. Corp., 283 F.Supp. 643 (S.D.N.Y. 1968) (finding lawyer among others did not have benefit of due diligence defense when he had knowledge that information in forms submitted to SEC, which were themselves treated as revisions to previously filed documents, contained false information. The court held that in the case of company counsel, Birnbaum, he could not claim a due diligence defense because he should have known better as lawyer for the company involved.)

Once the Commission has received full disclosure in an application, it may approve the sought after source materials license in accordance with Section 40.32 if: (a) The application is for a purpose authorized by the Act; (b) The applicant is qualified by reason of training and experience to use the source material for the purpose requested in such manner as to protect health and minimize danger to life or property; (c) The applicant's proposed equipment, facilities and procedures are adequate to protect health

⁷ The court stated, "[i]t is necessary to consider one more extremely important point: does a private cause of action exist under the Atomic Energy Act? For the reasons discussed below, I conclude that a private cause of action does exist. Id. In its discussion based on Cort v. Ash, 422 U.S. 66 (1975), the Court referred to other areas where the Supreme Court has implied private causes of action including the Securities Act of 1933 and the Securities Exchange Act of 1934. Id. at 838 (J. I. Case Co. v. Borak, 377 U.S. 426 (1964) re: 1933 Act and Superintendent of Ins. v. Bankers Life & Casualty Co., 404 U.S. 6 (1971) re: 1934 Act.) In short, plaintiffs are members of the public, for the protection of whom the Atomic Energy Act expressly provides. There is no indication that private suits will be detrimental to the purpose of the Act; to the contrary, those purposes will be furthered by permitting the class in which the statute creates a federal right to seek judicial relief for alleged unlawful conduct. Such actions will not intrude upon administrative licensing procedures, nor will they tend to abrogate the NRC's statutory authority. When, as here, administrative remedies are insufficient to adequately protect the public, and the legislation in question mandates such protection, it is the duty of the courts to make judicial relief available "where necessary to achieve that result." (J. I. Case Co. v. Borak, infra, 377 U.S. at 432.) Id. at 840.

and minimize danger to life or property; and

(d) The issuance of the license will not be inimical to the common defense and security or to the health and safety of the public. 10 CFR 40.32 (emphasis added.)

F. Foreign Ownership of US Uranium Mines Is Inimical to US Common Defense and Security and to Public Health and Safety.

Due to Applicant's intentional failures to disclose material information concerning its foreign ownership, control and domination, Applicant has "unclean hands" in this proceeding and may not receive the benefits of any presumptions or assumptions.

As the Supreme Court has stated in Precision Inst. Mfg. Co. v. Automotive M.M. Co., 324 U.S. 806 (1945), the doctrine of "unclean hands" requires:

that 'he who comes into equity must come with clean hands.' This maxim is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant. That doctrine is rooted in the historical concept of court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith. This presupposes a refusal on its part to be 'the abetter of iniquity.' Bein v. Heath, 6 How. 228, 247, 12 L.Ed. 416. Thus while 'equity does not demand that its suitors shall have led blameless lives,' Loughran v. Loughran, 292 U.S. 216, 229, 54 S.Ct. 684, 689, 78 L.Ed. 1219, as to other matters, it does require that they shall have acted fairly and *815 without fraud or deceit as to the controversy in issue. Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 245, 54 S.Ct. 146, 147, 78 L.Ed. 293; Johnson v. Yellow Cab Transit Co., 321 U.S. 383, 387, 64 S.Ct. 622, 624, 88 L.Ed. 814; 2 Pomeroy, Equity Jurisprudence (5th Ed.) ss 397-399.

This maxim necessarily gives wide range to the equity court's use of discretion in refusing to aid the unclean litigant. It is 'not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.' Keystone Driller Co. v. General Excavator Co., supra, 290 U.S. 245, 246, 54 S.Ct. 147, 148, 78 L.Ed. 293. Accordingly one's misconduct need not necessarily have been of such a nature as to be

punishable as a crime or as to justify legal proceedings of any character. **Any willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim by the chancellor.**

Moreover, where a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. For if an equity court properly uses the maxim to withhold its assistance in such a case it not only prevents a wrongdoer from enjoying the fruits of his transgression but averts an injury to the public. The determination of when the maxim should be applied to bar this type of suit thus becomes of vital significance. See Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 492-494, 78 S.Ct. 402, 405, 406, 86 L.Ed. 363.

Id. at 814-815 (emphasis added.) Because of Applicant's intentional violations of disclosure regulations which amount to a frustration and mockery of the entire NRC licensing process, the doctrine of "unclean hands" should be applied by the Board to suspend Applicant's license and amendment until a full and complete record can be assembled which is based on sworn testimony from credible witnesses and authenticated documentation and data. This is directly relevant to Petitioners' request for Subpart G procedures discussed below. In addition, due to the public interests involved (including those purposes expressed in AEA Section 2), equitable principles require that this Board prevent Applicant from "enjoying the fruits of his transgression but averts an injury to the public." Precision at 815. Applicant must be held to the highest standards for the protection of the US national interest, common defense and security and health and safety of the public and anything less falls short of legal compliance.

One example of the impact of foreign ownership, control and domination on the operation of an ISL uranium mine is that foreign owners and control persons who are not

US persons have no loyalty to prevent the reckless, negligent or intentional contamination of the environment by the ISL mining. For example, a foreign controlled uranium mining company would be more inclined to suppress relevant geologic data that shows probabilities of structural control and mineralization (and related groundwater flows and contamination risks) in favor of profit taking in what is often known as “cut and run” mining operations. As a result, lack of foreign ownership, control and domination is required in order to properly preserve the health and safety of the public as required by the AEA and NRC Regulations. In the absence of any Negation Plan, Applicant’s license amendment for the benefit of foreign Cameco would be inimical to the public health and safety and, therefore, must be denied.⁸

The Court of Appeals recognized the problems associated with allowing non-US persons to control nuclear materials, “the internal evidence of the Act is that Congress was thinking of keeping such materials in private hands secure against loss or diversion; and of denying such materials and classified information to persons whose loyalties were not to the United States. In the case of the latter standard of ‘the public health and safety,’ the Congressional preoccupation was with industrial accidents and the dangers they presented to employees and the neighboring public...In short, Congress appears to expect that an applicant for a license should bear the burden of proving the security of his

⁸ Had Applicant made full disclosures of the foreign ownership and control issues, the NRC would have been able to evaluate such issue and make license conditions if possible that might allow for licensing in accordance with the AEA under NRC Regulation Section 40.41, which contemplates special requirements or conditions that it deems necessary to promote the common defense and security, protect health or minimize danger to life or property, protect restricted data, and require reporting and recordkeeping to effect the purposes of the AEA. A Negation Plan could be properly delineated and adopted under such Regulation 40.41. 10 CFR 40.41.

proposed facility as against his own treachery, negligence, or incapacity. Siegel v. Atomic Energy Commission, 400 F.2d 778, 784 (DC Cir. 1968).

Another example of how it may be inimical to the common defense and security of the United States to grant a foreign company a license to mine and export yellowcake uranium, is that takes the yellowcake uranium outside of US legal restrictions. Cameco is aware of this and makes the statement on pages 12-13 of its 2007 Annual Information Form dated Marcy 28, 2008, attached hereto, that: [t]he US restrictions have no effect on the sale of Russian uranium to other countries. About 70% of the world uranium requirements arise from utilities in countries unaffected by the US restrictions. **In 2007, approximately 48% of Cameco's sales volume was to countries unaffected by the US restrictions.** (Emphasis added.) This shows that while Canada is subject to the Non-Proliferation Treaty, there are other aspects of US legal control over source and nuclear materials that can be avoided by foreign owners of US uranium mines such as Cameco.

Yet another example of how this is inimical to the common defense and security is that key documents and information concerning Applicant and its operations are kept outside of the United States and, therefore, arguably outside of the jurisdiction of the NRC under 10 CFR Section 40.2. This raises the question that if all key executive of Applicant attend a strategy meeting at their parent's headquarters in Canada, then to what extent is restricted data being compromised? To what extent are meeting minutes at that Canada meeting available for discovery in this US NRC proceeding. If Cameco resists Petitioners discovery requests concerning Cameco's corporate minutes related to the acquisitions of Geomex Minerals, Inc. and UUS, Inc. from Uranerz and Cameco's

awareness of any arrangement to shift a percentage of equity to KEPCO to preserve its 10% hidden equity interest, then enforcement of the AEA would be frustrated.

Accordingly, to the extent that the enforcement of the AEA and NRC Regulations is made more difficult by one iota, such is an indication that foreign ownership of Applicant is inimical to the common defense and security and public health and safety.

G. Special Case of USEC and 10 CFR 40.38

While not directly applicable, and fraught with some interpretative difficulties having to do with the unique legislative history of the AEA, the USEC Privatization and the possibility that NRC Regulations have not been updated to be consistent, NRC Regulation Section 40.38 provides some helpful guidance. Section 40.38 provides that a license may not be issued to the "Corporation" if it is owned, controlled or dominated by an alien, a foreign corporation or foreign government, or the issuance of the license would be inimical to the common defense and security of the US or maintenance of a reliable and economical domestic source of enrichment services. 10 CFR 40.38.

Petitioners submit that Section 40.38 shows important factors to be considered in the analysis such as whether the licensee entity is owned, controlled or dominated by an alien, a foreign corporation or a foreign government. This provides some distinctions between ownership of the US uranium mine by foreign individuals, foreign corporation or foreign governments and might lead to slightly different conclusions. For example, Petitioners note that in the case of a foreign government, AEA Section 123 provides mechanisms for nation-to-nation agreements on source and nuclear materials and the

development of atomic energy which involves consultation with the President of the United States, among other things. 42 USC 2073. Section 40.38 also makes reference to the importance of a reliable and economical domestic source of enrichment services, which itself is a public policy goal that would be frustrated by allowing America's uranium assets to be owned, licensed and mined by foreign companies.

H. Department of Energy Implementation of Foreign Ownership, Control or Influence (FOCI) Program

Further guidance may be taken from the Department of Energy implementation of a Foreign Ownership, Control, or Influence (FOCI) program which is designed to obtain information that indicates whether DOE offerors/bidders or contractors/subcontractors are owned, controlled, or influenced by foreign individuals, governments, or organizations, and whether that foreign involvement may pose an undue risk to the common defense and security. DOE Order 5634.3 at Paragraph 1, attached hereto.

In the DOE Order, the DOE established a Departmental policy to require the "ultimate parent"⁹ and any intervening levels of ownership, if the entity is controlled by another organization, to submit complete, current, and accurate information, certification, and explanatory documentation which define the extent and nature of any relevant FOCI over the offeror/bidder and tier parents for use by DOE in determining the risk presented by that FOCI. *Id.* at Paragraph 5. Under the DOE Order, the tier parents of an entity must submit to the DOE:

⁹ For another example of a common "ultimate parent" analysis, see the anti-trust rules for pre-merger notifications under 15 USC s18a, which was part of the Hart-Scott-Rodino Antitrust Improvements Act of 1976

- (1) Written notification of anticipated changes which include, but are not necessarily limited to, the following:
 - (a) Action to terminate the contractor organization or any of its parents for any reason.
 - (b) Imminent adjudication of or reorganization in bankruptcy of the contractor organization or any of its tier parents.
 - (c) Discussions or consultations with foreign interests which may reasonably be expected to lead to the introduction or increase of FOCI.
 - (d) Negotiations for the sale of securities to a foreign interest which may lead to the introduction or increase of FOCI.
- (2) Written notification of a change in the extent and nature of FOCI which affects the information in the FOCI representations and certification(s) previously provided.
- (3) Complete, current, and accurate information, certification(s), and explanatory documentation which define the extent and nature of any relevant FOCI whenever:
 - (a) There is any change in ownership or control.
 - (b) Five years have elapsed since the previously provided FOCI representations and certification(s) were executed.
 - (c) A DOE Headquarters or field safeguards and security office advises that it considers that a relevant change in the nature of the FOCI has occurred.
- (4) Notwithstanding anything to the contrary contained in this Order, DOE reserves the right and has the obligation to impose any security method or requirement it believes necessary to ensure that unauthorized access by foreign interests to classified information and/or SNM is effectively precluded.

Id. at Paragraph 5(d) and 5(g).

Further, under Paragraph 8 of the Order, A U.S. organization effectively owned or controlled by a foreign government is ineligible for a facility approval or a safeguards

and security activity unless the Secretary of Energy determines that a waiver is essential to the national security interest of the U.S. Id. at Paragraph 8(a)(1). A U.S. organization effectively owned, controlled, or influenced by a foreign interest from a sensitive country identified in DOE 1500.3 shall not be eligible, in some cases, for a facility approval or safeguards and security activity. Id. at Paragraph 8(a)(2). An entity that is owned, controlled, or influenced by a foreign interest from a nonsensitive country, like Canada, shall be eligible for a facility approval or safeguards and security activity provided action can be taken to effectively negate or reduce associated FOCI risk to an acceptable level. Id. at Paragraph 8(a)(3). The chairman of the board and all principal officers of the U.S. organization(s) to be cleared for a facility approval or safeguards and security activity must be U.S. citizens residing within the limits of the U.S. Id. at Paragraph 8(a)(4).

Under the DOE Order, an entity will be considered under FOCI when a reasonable basis exists to conclude that the nature and extent of FOCI over the management or operations of the entity may result in the compromise of classified information or unauthorized access to special nuclear materials. The following factors will be considered in determining whether an organization is under FOCI or has FOCI involvement:

- (1) Foreign interest ownership or beneficial ownership of 5 percent or more of the organization's securities.
- (2) Ownership by the organization of any foreign interest in whole or in part.
- (3) Foreign interest representation in one or more management positions such as directors, officers, or executive personnel.
- (4) Foreign interest in a position to control or influence the

- election, appointment, or tenure of one or more of the directors, officers, or executive personnel of the organization.
- (5) Contract(s), agreement(s), understanding(s), or other arrangement(s) with a foreign interest.
 - (6) Indebtedness, actual or potential (unused lines of credit), to a foreign interest.
 - (7) Any revenue derived from a sensitive country.
 - (8) Revenue in excess of 10 percent of total revenue from foreign interest(s).
 - (9) Five percent or more of any class of the organization's securities held in "nominee shares," "street names," or some other method which does not disclose the beneficial owner of equitable title.
 - (10) Interlocking directors with foreign interests.
 - (11) Any citizen(s) of a foreign country(ies), whether an employee or visitor, who may have access to classified information and/or SNM.
 - (12) Any other factor that indicates or demonstrates a capability on the part of a foreign interest to control or influence the operations, management, or business of the organization.

Under Paragraph 10 of the DOE Order, acceptable methods to include in a Negation Plan consisting of one or more insulating measures prescribed in paragraph 11 or any combination of those measures, as appropriate. It may also consist of other measures employed in conjunction with, or apart from, these methods, such as:

- a. Physical or organizational separation of the component performing the work requiring access authorization(s).
- b. Modification or termination of agreements with foreign interests.
- c. Diversification or reduction of agreements with foreign interests.

- d. Diversification or reduction of income from foreign interests.
- e. Assignment of specific security duties and responsibilities to selected officials of the organization.
- f. Creation of special executive-level committees to consider and oversee classified information and/or SNM.

Under Paragraph 11 of the DOE Order, foreign ownership of a U.S. organization under consideration for a facility approval or safeguards and security activity becomes a concern to DOE when the amount of foreign-owned stock is at least sufficient to elect representation to the U.S. organization's board of directors or a foreign interest(s) is in a position to select such representatives. Foreign ownership which cannot be so manifested is not, in of itself, considered significant. Instances involving insignificant foreign stockholdings are, nonetheless, analyzed to assess the ownership source and to determine the possible significance when considered in conjunction with other aspects of foreign involvement which may be present in a particular case.

EXCERPTED DEFINITIONS for DOE Order 5634.3

For purposes of the DOE Order, the following definitions apply:

FOREIGN INTEREST. A foreign interest is defined as any of the following:

- a. Any foreign government, agency of a foreign government, or representative of a foreign government;
- b. Any form of business enterprise or legal entity organized under the laws of any country other than the U.S. or its possessions;
- b. Any person who is not a U.S. citizen or national of the U.S. (An "intending citizen" and a foreign-owned U.S. company are excluded from the definitions of a foreign interest).

FOREIGN NATIONAL. Any person who is not a U.S. citizen or a U.S. national.

FOREIGN OWNERSHIP, CONTROL OR INFLUENCE (FOCI). FOCI exists when an offeror/bidder or contractor proposing to performing work for DOE involving access to classified information and/or a significant quantity of SNM has an institutional or personal relationship with a foreign interest(s). An offeror/bidder or contractor is considered to be under FOCI when the degree of interest as defined above is such that a reasonable basis exists for concluding that compromise of classified information and/or a significant quantity of SNM may result.

REPRESENTATIVE OF FOREIGN INTEREST (RFI). A citizen or national of the U.S., or an intending citizen to the U.S., who is acting as a representative of a foreign interest.

TIER PARENT. A corporation or other entity that controls another corporation or other entity by the power to elect its management. The control may exist by direct ownership of the corporation or other entity or by indirect ownership through one or more levels of ownership of corporation(s) or other entity(ies).

U.S. ORGANIZATION. Any individual, corporation, or organization located in the U.S. or its territorial areas which is organized, chartered, or incorporated under the laws of the U.S.

I. Discussion of Influential Prior Commission Decisions

To the extent that AEA Section 103(d) and related interpretations are deemed to be relevant to foreign ownership of an Applicant for a source materials license, there are a handful of prior Commission decisions that merit consideration.¹⁰ There are several instructive Commission decisions in this area.¹¹ These help convey an understanding of

¹⁰ As discussed in Section D above, Petitioners believe that AEA Section 103(d) regarding utilization facilities and related interpretations are extremely influential because the purposes for the AEA described in AEA Section 2 mentions both source materials and utilization facilities in the same breath.

¹¹ These are well surveyed in two articles, Palmer, Comment: The Nuclear Regulatory Commission and Foreign Ownership of Commercial Nuclear Power Plants in the United States, 28 Duq. L. Rev. 295 (1990) and Malsch, The Purchase of U.S. Nuclear Power

the various indicia of control that have been evaluated in the context of making a determination as to whether foreign ownership is “inimical.”¹²

The first Commission decision construing the “foreign ownership, control, or domination” provision was *the General Electric Company and Southwest Atomic Energy Associates case (“SEFOR”)*. In *SEFOR*, the Atomic Energy Commission (“AEC”) permitted a foreign interest to indirectly participate in the construction of a US commercial nuclear power plant through a contractual arrangement. The AEC found that Congress intended to prohibit situations in which a foreign entity would have the power to direct the actions of a United States licensee. The AEC interpreted the phrase “owned, controlled, or dominated” to mean a situation where **“the will of one party was subjugated to the will of another” with potential adverse implications “toward safeguarding the national defense and security.”** (Emphasis added.) *Palmer Comment* at 298-300.

In contrast, in the case of *Cintichem*, Applicant was a Delaware corporation whose ultimate parent was F. Hoffman-LaRoche and Co., Ltd., a Swiss corporation. The Commission concluded that it “has reason to believe” that the proposed transferee was owned, controlled, or dominated by an alien or foreign corporation and that the transfer

Plants by Foreign Entities, 20 Energy L.J. 263 (1999); both of these must be viewed through the lens of living in a post-9/11 World.

¹² In addition, the legislative history indicates that an original proposal to limit foreign ownership to 5% was rejected as being too difficult to attain. *Palmer Comment* at 298. Of course, with modern, computerized stock transfer practices it would be quite simple for the stock ownership of a public company to be limited effectively. Petitioners note that Cameco itself, as a Canadian company is under substantial restrictions including that it must be majority owned by Canadian citizens and there are limits on the percentage ownership by non-Canadians. See generally, *Investment Canada Act; Cameco 2007 Annual Information Form*, attached hereto, at p28

would therefore be barred, without any need to consider whether the foreign ownership, control, or domination would be inimical to the common defense or security. *Id.* at 300-301. In response to the Commission's adverse decision, Congress added a rider to the NRC's 1984 Authorization Bill permitting the NRC to transfer this specific license to an entity owned or controlled by a foreign corporation if:

(a) the NRC could find that the transfer would not be inimical to the common defense and security, and

(b) the NRC included in the license such conditions as it deemed necessary to ensure that the foreign corporation could not direct the actions of the licensee in ways that would be inimical to the common defense and security.

After the special legislation was passed, the NRC conditionally approved the *Cintichem* transfer. The transfer was subject to General Atomic type conditions, with the additional requirement that: (1) all of the directors of *Cintichem* had to be United States citizens unless otherwise approved by the NRC; (2) any actions by Switzerland or changes in Swiss law which would affect ownership or control of *Cintichem* had to be reported immediately to the NRC; and (3) only individuals with security clearances were permitted to have access to Restricted Data.

The *Cintichem* case illustrates solution for Applicant – it can seek special congressional legislation. Palmer notes that “although the statutory prohibition on foreign ownership and control in Section 103(d) is closely related to with the separate statutory requirement in Section 103(d) relating to the common defense and security, the *Cintichem* case demonstrates that, even in situations where foreign ownership and control is permissible, the Commission will still examine whether license issuance will be

inimical to the common defense and security and may impose additional conditions to satisfy this requirement.” *Id.* at 302.

In 1977, Babcock & Wilcox (“B&W”), the NRC held that a transfer of “effective control” of a licensee does constitute a transfer of a license within the meaning of AEA Section 184. The NRC indicated that its three major concerns in connection with the grant of a license or a license transfer were: (1) whether the applicant is financially stable and responsible, (2) whether the applicant will employ technically competent personnel, and (3) whether the applicant is under foreign domination or control or whether the common defense or security might otherwise be harmed. *Id.* at 303. Palmer notes that “[w]hile refusing to take action in the B&W/United litigation, the NRC requested to be kept informed of its progress. The NRC subsequently notified United:

Obviously, you may reach the conclusion that United will be able to exercise effective control over B&W even without having acquired a fifty percent stock interest in the operation. Our firm expectation is that you will take no step to implement any such conclusion before seeking the necessary authorization from the Commission.¹³

This indicates that the NRC is aware that there are attributes of control that are acquired at less than 50% which convey “effective control”.

In a more recent decision, the NRC approved the proposed transfer of a controlling interest in Exxon Nuclear, a Delaware corporation, to Kraftwerk Union AG (“KWU”) and a wholly-owned subsidiary of Siemens AG, two corporations organized under the laws of the Federal Republic of Germany. Since the NRC licenses held by Exxon Nuclear were for nuclear materials, and not for a production or utilization facility,

¹³ Letter from Nuclear Regulatory Commission to United Technologies Corporation, re: NRC approval necessary before any transfer in ownership from B&W to United may occur (June 7, 1977) (emphasis added); Palmer Comment, FN 37.

the statutory prohibition against foreign ownership, control, or domination was not involved, but the license transfer still had to satisfy the not “inimical to the common defense and security” requirement.

This is similar to the instant case where AEA Sections 62 and 69 control and the license issuance/amendment (as well as the transfer of the license to Cameco when it did occur) had to satisfy the not “inimical” requirement. Exxon Nuclear took great measures in a “Negation Plan” to make sure that control by KWU would not be inimical to the common defense and security because, among other things, prior to the closing date, Exxon Nuclear would divest itself of all interests in DOE classified contracts and would transfer to another entity all of its intellectual property rights in various types of Restricted Data. In addition, Exxon Nuclear would remain a Delaware corporation and indicated that the current directors and principal operating officers, all of whom were United States citizens, would remain in office; that there would be no change in the fundamental materials control program or in the plans for physical security of the facilities or for the physical protection of Special Nuclear Materials in transit. Exxon Nuclear also noted that the Federal Republic of Germany is a signatory of the Nuclear Non-Proliferation Treaty and is a member of Euratom. The NRC approved the transfer without comment or imposition of additional conditions. The NRC thus permitted two foreign entities to obtain a controlling interest over NRC issued nuclear materials licenses.

It is important to note the substantial analysis and regulatory oversight that goes into the creation and acceptance of a Negation Plan under very limited circumstances and

on a case-by-case basis. Applicant should have given proper notice of the transfer of effective control of itself to foreign interests and allowed for the preparation and imposition of an appropriate Negation Plan if, in fact, a fully informed finding shall have been made that the licensing/transfer would not be “inimical.”

.....

Malch writes “[t]hus, in these cases the NRC allowed the establishment of foreign legal rights, beyond the first tier, of the kind generally associated with legal ownership of business entities, and in effect treated both cases as presenting a foreign-control-and-domination question rather than a foreign-ownership question. **The “control-and-domination” question was then resolved by appropriate conditions which preserved U.S. control over common defense and security matters. Thus, *General Atomic Company* and *McDermott/B&W* both stand for the proposition that the foreign ownership restriction does not apply beyond the direct or immediate owner of the licensee. [FN38] Foreign ownership interests higher up in the corporate chain are not disallowed per se, provided there is no foreign domination and control problem under the statute.** Malch, at 271 (emphasis added.) Malch’s footnote is important:

[FN38]. One could make an exception to this principle if the circumstances of a particular corporate structuring would permit a “piercing of the corporate veil,” and a look through the direct ownership of a company all the way to the ultimate foreign parent. However, this would need to be justified in the particular case. In this regard, it is worth noting that U.S. courts of appeal have twice refused to pierce the corporate veil of companies holding NRC licensees. *Lowell Staats Mining Co. v. Pioneer Uranium, Inc.*, 878 F.2d 1259 (10th Cir. 1989). Moreover, there would seem to be no good reason to do such an analysis since whatever insights might be gleaned from a corporate veil-piercing analysis could be gleaned more easily from a thorough analysis of foreign domination and

control.¹⁴

The NRC has a “Standard Review Plan on Foreign Ownership, Control or Domination” (the SRP), published for interim use and comment on March 2, 1999, which adopts the fundamental approach in SEFOR, and declines to offer a stock percentage threshold above which foreign control would be conclusive, in favor of an analysis of “all the information that bears on who in the corporate structure exercises control over what issues and what rights may be associated with certain types of shares.” Malch at 272. However, the SRP also provides that an applicant will be ineligible for a license if it is seeking to acquire a 100% interest in a license and is wholly owned by a U.S. company, where such company is wholly owned by a foreign corporation, unless the foreign parent's stock is largely owned by U.S. citizens. *Id.* at 273. In the instant case, such would be impossible due to the legal requirement imposed on Cameco limiting the percentage ownership of non-Canadians and requiring at least a majority of the shares to be held by Canadians.

The SRP goes on to state that “an applicant that is partially owned by a foreign entity, for example, partial ownership of 50 percent or greater, may still be eligible for a license if certain conditions are imposed, such as requiring that officers and employees of the applicant responsible for special nuclear material must be U.S. citizens. These conditions, which will be necessary whenever the NRC reviewer believes that the applicant may be considered to be owned, controlled, or dominated by foreign interests, or that additional action would be necessary “to negate the foreign ownership, control, or

¹⁴ Where, as here, the corporate form is being used to perpetrate an inequitable result, and the factors are present for piercing the corporate veil, it would be appropriate to do so. See Associated Vendors, Inc. v. Oakland Meat Co., 210 Cal.App.2d 825 (Cal. App. 1962), discussed below.

domination,” are called a “Negation Action Plan.” The SRP also makes clear that factors not related to foreign ownership must also be considered, such as contracts and loan agreements. Finally, “further consideration is required” if a foreign applicant is seeking to acquire less than a 100% interest in the facility. Id. Of course, if the company secretly acquires control of the licensee, there is no opportunity for an NRC reviewer to craft a Negation Action Plan as contemplated by the SRP. Once again, this indicates the need for greater regulatory oversight.

In the AmerGen case, the application proposed various controls designed to ensure that the matters of interest to the NRC would be within the control of U.S. citizens. These were similar to the kinds of controls proposed and adopted in the prior cases. However, they specifically included safety matters in addition to common defense and security matters. Among other things, the AmerGen CEO and Chief Nuclear Officer, and a majority of the AmerGen management committee, with the power to direct the affairs of the company, would be U.S. citizens. Also, U.S. interests would appoint and remove half of the members of the management committee, and on specific matters concerning public health and safety, common defense, and security, the Chairman of the management committee (a U.S. citizen) would exercise a tie-breaker vote. Thus, U.S. citizens controlled decisions on matters of interest to the NRC. Malch at 275.

The NRC approved the transfer with the conditions described above. Those conditions could not be changed without the NRC's approval. In doing so, the NRC stated that it had followed the provisions of the SRP relating to partial foreign ownership. Only one prior case, General Atomic Company, was cited as “somewhat

analogous,” and the application was considered acceptable because of the conditions that would be imposed. Thus, in effect, the application in AmerGen was analyzed as presenting a foreign control rather than a foreign ownership question. No effort was made to separate common defense and security issues from safety issues in the formulation of the conditions. However, only “primarily” safety issues were within U.S. control. Decisions whether to spend money to extend the economic life of the plant or improve economic performance were specifically not included in this safety category.

Finally, the NRC analysis agreed with the applicant that the United Kingdom was a close ally of the United States and had excellent non-proliferation credentials. These factors were considered relevant to the common defense and security finding, and “consistent with” but “not dispositive” of the “foreign ownership, control, and domination finding,” given the latter’s “orientation toward safeguarding the national defense and security.” Accordingly, contrary to Applicant’s assertions in this case, and consistent with the Board’s ruling in the Memorandum at p. 122, the mere fact that Canada is an ally of the US and has excellent non-proliferation credentials is not dispositive. The AmerGen treatment of foreign ownership above the first tier (a foreign “grandfather” – or “ultimate parent” analysis) as done as presenting a foreign control and domination issue rather than a foreign ownership.

J. Piercing the Corporate Veil.

Many of the same factors that indicate a need to pierce the corporate veil also are indicative that the corporate entity involved is abusing the corporate form to evade legal requirements. Such would require “piercing the corporate veil” in order to look beyond

the Applicant to its owners/shareholders for performance of legal requirements. One of the seminal cases on the issue of piercing the corporate veil is Associated Vendors, Inc. v. Oakland Meat Co., 210 Cal.App.2d 825 (Cal. App. 1962). In that case, the court found that:

It is a fundamental rule that "[t]he conditions under which the corporate entity may be disregarded, or the corporation be regarded as the alter ego of the stockholders, [210 Cal.App.2d 837] necessarily vary according to the circumstances in each case inasmuch as the doctrine is essentially an equitable one and for that reason is particularly within the province of the trial court. Only general rules may be laid down for guidance." [citations omitted.]

The basic rule stated by our Supreme Court as a guide in the application of this doctrine is as follows: The two requirements are (1) that there be such unity of interest and ownership that the separate personalities of the corporation and the individual no longer exist, and (2) that, if the acts are treated as those of the corporation alone, an inequitable result will follow. (*Automotriz etc. De California v. Resnick*, supra, 47 Cal.2d 792, 796; *Stark v. Coker*, supra, 20 Cal.2d 839, 846; *Watson v. Commonwealth Ins. Co.*, 8 Cal.2d 61, 68 [63 P.2d 295]; *Minifie v. Rowley*, 187 Cal. 481, 487 [202 P. 673].)

...

It should also be noted that, while the doctrine does not depend on the presence of actual fraud, it is designed to prevent what would be fraud or injustice, if accomplished. Accordingly, bad faith in one form or another is an underlying consideration and will be found in some form or another in those cases wherein the trial court was justified in disregarding the corporate entity. (See *Talbot v. Fresno-Pacific Corp.*, supra, 181 Cal.App.2d 425, 431; *Hollywood Cleaning & Pressing Co. v. Hollywood Laundry Service, Inc.*, 217 Cal. 124, 129 [17 P.2d 709]; *Carlesimo v. Schwebel*, supra, 87 Cal.App.2d 482, 491; *Erkenbrecher v. Grant*, 187 Cal. 7 [200 P. 641].)

A review of the cases which have discussed the problem discloses the consideration of a variety of factors which were pertinent to the trial court's determination under the particular circumstances of each case. Among these are the following:

the failure to maintain minutes or adequate corporate records, and the

confusion of the records of the separate entities [210 Cal.App.2d 839] [citations omitted];

the identical equitable ownership in the two entities; the identification of the equitable owners thereof with the domination and control of the two entities;

identification of the directors and officers of the two entities in the responsible supervision and management; sole ownership of all of the stock in a corporation by one individual or the members of a family [citations omitted];

the use of the same office or business location; the employment of the same employees and/or attorney [citations omitted];

the use of a corporation as a mere shell, instrumentality or conduit for a single venture or the business of an individual or another corporation (*McCombs v. Rudman*, supra, 197 Cal.App.2d 46; *Asamen v. Thompson*, supra, 55 Cal.App.2d 661; *Engineering etc. Corp. v. Longridge Inv. Co.*, supra; *Pan Pacific Sash & Door Co. v. Greendale Park, Inc.*, supra);

the concealment and [210 Cal.App.2d 840] misrepresentation of the identity of the responsible ownership, management and financial interest, or concealment of personal business activities (*Riddle v. Leuschner*, supra, 51 Cal.2d 574; *Shafford v. Otto Sales Co., Inc.*, supra);

the disregard of legal formalities and the failure to maintain arm's length relationships among related entities (*Riddle v. Leuschner*, supra, 51 Cal.2d 574; *McCombs v. Rudman*, supra; *Wheeler v. Superior Mortgage Co.*, supra; *Pan Pacific Sash & Door Co. v. Greendale Park, Inc.*, supra);

the use of the corporate entity to procure labor, services or merchandise for another person or entity (*Temple v. Bodega Bay Fisheries, Inc.*, supra; *Pan Pacific Sash & Door Co. v. Greendale Park, Inc.*, supra; *Engineering etc. Corp. v. Longridge Inv. Co.*, supra);

A review of the types of corporate malfeasance that may be encountered in the piercing the corporate veil cases above shows how corporate entities may be manipulated to the detriment of the public and to the chagrin of regulators. This list can be compared

against Applicant's conduct in this matter and be judged whether it is more like a responsible company deserving of a license, even if it were not foreign owned, and a scofflaw front company for foreign joint venture partners mining uranium with reckless disregard for geologic data concerning vertical faults and fractures that make groundwater contamination probable if not likely. See Whistleblower Letter discussed below.

APPLICATION OF STANDARDS TO CONTENTION E

When the foregoing standards are applied to Contention E, in light of the Board's finding that Contention E is not outside the scope of this proceeding, require a finding that the Petitioners' concerns related to the Applicant's foreign ownership are material to the safety and environmental requirements of 10 CFR Part 40. See Memorandum at 119.

Petitioners' Contention E in the Reference Petition is that:

(1) CBR is owned by Cameco, Inc., a Canadian corporation which purports to be the largest Uranium producer in the World with operations in Canada, the US and Kazakhstan. See www.cameco.com. Cameco acquired CBR in 2000.

(3) Foreign owned CBR is using up and contaminating vital water supplies in a time of drought for its profit to the detriment of the people, wildlife and land in Crawford, NE, surrounding areas including Chadron, NE, and Pine Ridge Indian Reservation and other users of the High Plains aquifer in Colorado, Kansas, New Mexico, Oklahoma, South Dakota, Texas and Wyoming. Most of such persons are unaware of CBR's operations or Application.

(11) There is no assurance that Yellowcake Uranium products from the CBR operation goes to US nuclear power plants and such Uranium may be sold by CBR's Canadian parent company to buyers in China, India, Pakistan, Russia and/or to the highest bidder.

(12) There is no assurance that Yellowcake Uranium products from the CBR operation will not be used for nuclear weapons of a foreign country or terrorists.

E. CBR Fails to Mention It is Foreign Owned by Cameco, Inc. So All The Environmental Detriment and Adverse Health Impacts Are For Foreign Profit and There Is No Assurance The CBR Mined Uranium Will Stay In US for Power Generation

- (i) CBR fails to mention in the Application that it was acquired in 2000 by a Canadian corporation named Cameco.
- (ii) The basis for the contentions is that CBR has omitted references to foreign ownership in order to give the mis-impression that CBR's Uranium mining operations are somehow profitable to US interests when in fact they are profitable to Canadian and other foreign interests to the detriment to US persons' health and safety.
- (iii) The issue is in the scope of the proceeding because CBR seeks to expand its operations on the basis that the Uranium it produces is needed to fulfill US demand for power generation when its Canadian owners may divert the Uranium products to non-US customers such as China, India, Pakistan, North Korea or possibly Iran.
- (iv) The issue is material to the findings of the NRC which is required to determine whether CBR's current operation and proposed operation is in the best interests of the US general public; understanding the foreign ownership of CBR is key to that determination.
- (v) Alleged Facts: The Relevant Facts are hereby incorporated by reference. In addition, as noted below, CBR has described its ownership history to omit the 2000 acquisition of CBR by Cameco.
- (vi) CBR's Application states that its history without reference to Cameco and gives the impression that CBR's operations are for the profit of US interests when they are clearly for the profit of foreign interests.

Please see the following citations to the Application (TR means Technical Report and ER means Environmental Report) and points of contention:

TR 5 OPERATIONS

Crow Butte Resources, Inc. (CBR) operates a commercial scale in-situ leach uranium mine (the Crow Butte Uranium Project) near Crawford, Nebraska.

CBR testified in the Nebraska NRC Hearing that it is wholly owned by Cameco, Inc. (www.cameco.com) which lists CBR as one of its assets together with operations in Canada and Kazakhstan. Cameco's website touts possible new deals to sell Uranium to Russia.

ER 1.1.1 Crow Butte Uranium Project Background

The original development of what is now the Crow Butte Uranium Project was performed by Wyoming Fuel Corporation, which constructed a research and development (R&D) facility in 1986. The project was subsequently acquired and operated by Ferret

Exploration Company of Nebraska until May 1994, when the name was changed to Crow Butte Resources, Inc. (CBR). This change was only a name change and not an ownership change. CBR is the owner and operator of the Crow Butte Project.

**** Contention:** CBR is owned by Cameco since 2000. Cameco also runs operations in Canada and Kazakhstan and which sells Uranium products to other non-US buyers which may include China, India, Pakistan, North Korea and possibly Iran unless there are Canadian regulations which restrict such sales.

ER 1.2 & ER 2.1.2 - In addition to leaving a large deposit of valuable mineral resources untapped, failure to develop the North Trend Expansion Area would result in the loss of a large investment in time and money made by CBR for the rights to and the development of these valuable deposits. Denial of the amendment request would also have an adverse economic effect on the individuals that own the mineral rights in the North Trend Expansion Area.

ER 1.2 & 2.1.2 - The Crow Butte Project (including the North Trend Area) represents an important source of new domestic uranium supplies that are essential to provide a continuing source of fuel to power generation facilities.

**** Contention:** It is material that CBR is owned by a Canadian company that will make profits or lose on its investments. Petitioner submits that we, as US persons, care less about the profits of a Canadian company than for the health and safety of our environment. The Application makes no reference to the chain of possession of this nuclear source material or who the buyers are and where it may end up or how it may be ultimately used.

A cursory comparison of Applicant's disclosures concerning its ownership in Applicant's TR 5, ER 1.1.1, ER 1.2, and ER 2.1.2 with the applicable standard for disclosures of material facts under Section 40.9, requires a conclusion that there are gross omissions to disclose material facts that are necessary to make the Application itself, in light of the circumstances, not misleading. For example, ER 1.1.1 states that the project was developed by Wyoming Fuel Corporation. "The project was subsequently acquired and operated by Ferret Exploration Company of Nebraska until May 1994, when the name was changed to Crow Butte Resources, Inc. (CBR). This change was only a name

change and not an ownership change. CBR is the owner and operator of the Crow Butte Project.” There are no additional disclosures concerning ownership in the Application.

In fact, a brief review of Cameco’s website reveals a much different story of foreign ownership, control and domination of the Crow Butte uranium mine, and concealment thereof from regulators, since the inception of the project.¹⁵ In fact, the project was developed by a 50/50 joint venture of Wyoming Fuel Co. and Ferret Exploration Company of Nebraska, Inc. (“FEN”), which later changed its name to Crow Butte Resources, Inc., and recently to “Cameco Resources, Inc.” (“Applicant”). At various relevant times, Applicant has concealed its true foreign ownership in order to avoid legal problems associated with the Nebraska Alien Ownership Act, Neb.Rev.Stat. 76-400 to 76-415 prohibits corporations organized under the laws of any state or country outside Nebraska from acquiring title to, or taking or holding, any land or real estate.¹⁶ In addition, alien corporations holding or owning real estate in Nebraska were prohibited from (i) electing aliens as members to its board of directors in sufficient number to constitute a majority, or (ii) issuing to or otherwise allowing aliens to own a majority of its capital stock.¹⁷

¹⁵ By way of example of the concealment of Applicant’s ownership as a function of its corporate culture and relationship with regulators, the NRC Staff is unsure of exactly when Cameco acquired control of Applicant CBR. The NRC Staff states in its Brief Accompanying Notice of Appeal to the Commission dated May 9, 2008 (“NRC Appeal Brief”) that “in reality Cameco, Inc., has been an owner of CBR since at least 1998 (Accession No. 9805260014), at p.27.

¹⁶ See Neb.Rev.St §76-402 “Aliens and corporations not incorporated under the laws of the State of Nebraska are prohibited from acquiring title to or taking or holding any land, or real estate, or any leasehold interests extending for a period for more than five years or any other greater interest less than fee in any land, or real estate, in this state by decent, devise, purchase or otherwise, except as provided in Sections 76-403 to 66-405.”

¹⁷ See Neb.Rev.St §76-406 “No corporation organized under the laws of this state and no corporation organized under the laws of any other state or country, doing business in this state, which was organized to hold or is holding real estate, except as provided in Section 76-404 and 76-412 to 76-414, shall elect aliens as members of the board of directors or board of trustees in number sufficient to constitute a majority of such board, nor elect aliens as executive officers or manager not have a majority of its capital stock owned by aliens.”

In 1989, Petitioner WNRC investigated and made public disclosures concerning Applicant's illegal foreign ownership in violation of Neb.Rev.Stat. Section 76-402 due to its uranium mineral leases in Dawes County, Nebraska. As in this case, almost 20 years later, WNRC was then asserting that Applicant made false statements at public hearings concerning faulting or fracturing that may be occurring in the rock formation that contains the uranium bearing ore. As a direct result of WNRC's investigation, the Nebraska Attorney General investigated and ruled that Applicant was in violation of the alien ownership prohibition. See Press Release dated September 18, 1989, attached hereto.

While declining to criminally prosecute Applicant due to a lack of expertise or statutory authority to conduct a geologic investigation, the NE Attorney General: (1) caused the Dawes County Attorney to commence forfeiture proceedings where the mineral leases were located pursuant to Neb.Rev.Stat. Section 76-408; (2) caused the NE Secretary of State to commence an action to forfeit Applicant's corporate charter and dissolve Applicant and its subsidiary; and (3) caused the Nebraska Department of Environmental Control ("NDEC") to cease any processing of Applicant's permits related to the then-proposed ISL mine in Crawford, NE.¹⁸ WNRC later commenced litigation against the Nebraska Secretary of State to cause it to follow through with the forfeiture and dissolution of Applicant. See State of Nebraska, ex rel. WNRC v. Beermann, (No. 451-098) (District Court of Lancaster County, Nebraska 1989). At some point after the commencement of such litigation, Applicant and its shareholders changed the share

¹⁸ See September 19, 1989 Letter from NE Attorney General Robert M. Spire to NDEC, attached hereto.

ownership structure to satisfy the expressed concerns of the NE Attorney General. See November 7, 1989 Letter from Applicant's Counsel Mark D. McGuire to NE Attorney General Robert M. Spire, attached hereto. According to Mr. McGuire's November 7, 1989 Letter, the following was Applicant's share ownership, as of a February 1987 recapitalization, and as reported to NRC on June 2, 1989¹⁹, FEN's corporate shares were owned as follows:

<u>Shareholder</u>	<u>Percentage</u>
[Imperial Metals Group ("IMC") Undisclosed Parent]	
Ferret Exploration Company, Inc. ("FEC")	28.304%
First Holding Company	8.196%
Geomex Minerals, Inc.	28.500%
Uranerz USA, Inc.	25.000%
Korea Electric Power Corp. ("KEPCO")	10.000%
TOTAL:	100.000%

Applicant's June 2, 1989 Letter to NRC further states:

"The first three are Delaware corporations, Uranerz, USA is a Colorado corporation and Korea Electric Power is a South Korean corporation....Those five companies are also all of the Participants which, along with FEN, have financial interests in the Crow Butte Project under the Production Venture and Operating Agreement dated February 25, 1987, as amended, to which the companies are parties.....The Agreement provides a management structure similar to that of a typical US corporation, which is also typical for mining projects in the US. There is a Management Committee whose role is similar to a corporate board of directors....The present members of the Management Committee for the commercial production venture are as follows:

<u>Participant</u>	<u>Primary</u>	<u>Alternate</u>
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¹⁹ June 2, 1989 Letter from Applicant's President Thor Gjellsteen to Edward F. Hawkins, NRC Denver, attached hereto.

Ferret (DDR/CDN/Korea) (DDR)	Ralph Barnard (US)	Dr. Peter Geib
First Holding (DDR/CDN) (DDR)	Gene Webb (US)	Dr. Peter Geib
Geomex (DDR)	Dr. Hugh Morris	Pierre Lebel
Uranerz (DDR) (DDR)	Karl-Ernst Kegel	Hikmet Akin
Kepeco (Korea) (Korea)	S.M. Chang (Korea)	E.W. Kim

“...FEN performs these activities through its management, which continues to include myself as president, Steve Collings as vice president and all of the other employees you are familiar with from the past...”

“FEN believes that the commercial production Venture structure makes it clear that FEN has and will continue to control all activities and materials and the Crow Butte Project which are subject to licensing requirements under the Atomic Energy Act of 1954. Therefore, FEN is the proper applicant and licensee for the project.” (Emphasis added.)

Significantly, Applicant’s letter omits to state that the three Delaware corporations and the Colorado corporation were themselves owned and controlled by foreign interests. Applicant’s letter also omits to state that one of the Alternates to the Management Committee, Peter Geib (W. German Citizen), was the controlling party of the “ultimate parent” at the top of Applicant’s complex corporate structure.²⁰ Also omitted was that Applicant was essentially a joint venture of Imperial Metals Group (“IMC”), Uranerz and KEPCO. It would be impossible to conclude that these disclosures pass muster under NRC Regulations Section 40.9.

In Mr. McGuire’s November 7, 1989 Letter and the attached Memorandum dated November 3, 1989, Applicant’s then-corporate assistant secretary refers to a February 1987 recapitalization and the share ownership at certain times. Significantly, the

²⁰ See July 22, 1989 and August 11, 1989 Letters from WNRC Counsel to NE Assistant Attorney General Steven J. Moeller, attached hereto.

November 3, 1989 Memorandum states with respect to the recapitalization that occurred two years earlier:

[t]he shareholders realized at the time of this recapitalization that a further change in share ownership might be necessary in the future in order to bring the project more in line with the way U.S. mining operations are held when there are multiple participants. Such a change has now been agreed to in principle by the shareholders, and the necessary documents are being circulated for review and final approval. When the change is finalized, the share ownership of FEN will be as follows:

Ferret Exploration Company, DE Corp	96 %
Geomex Minerals, Inc., DE Corp	1 %
First Holding Company, CO Corp ²¹	1 %
Uranerz USA, Inc., CO Corp	1 %
Korea Electric Power Corp., Republic of Korea Corporation	1 %
TOTAL:	100 Shares

Although the change was required because of the threatened dissolution of FEN after the NE Attorney General ruled that FEN was illegally owned in violation of Neb.Rev.Stat. 76-402, Memorandum dated November 3, 1989 makes it seem like this was contemplated at the time of the February 1987 recapitalization. This is yet again evidence of the Applicant's sophistry when communicating its ownership information to regulators. And it makes no sense. Why would Uranerz USA give up 24% of Applicant and why would the Korea Electric Power Corp. give up 9% of its interest for the benefit of the IMC companies getting 33% more? Such would not be the indicated in an arms-length transaction by rational economic actors. Rather, it seems, that this was a

²¹ First Holding holds 100% of Ferret Exploration Company; see Page 2, Paragraph 3(c) of Letter dated January 4, 1990 from Mark D. McGuire to NE Attorney General Robert M. Spire.

temporary ploy to assuage the concerns of the NE Attorney General but which lacked real economic substance. Applicant and the same foreign beneficial owners, IMC, Uranerz and KEPCO, continued to hold their equity in the Crow Butte mine despite the prohibition on alien ownership in Neb.Rev.Stat. 76-402.

On March 16, 1994, by letter from Stephen P. Collings, President of FEN, the NRC was notified that:

As a result of transactions between FEN's shareholders, FEN's corporate shares are now held as follows:

<u>Shareholder</u>	<u>Shares</u>
Uranerz U.S.A., Inc., a Colorado corporation	79
Geomex Minerals, Inc., a Delaware corporation	16
Kepeco Resources America, LTD, a Colorado corporation	5
Total shares issued and outstanding	100

Perhaps, since four years had elapsed since the NE Attorney General's office had threatened to terminate Applicant's charter, it felt safe to allow the creeping acquisition of its shares by foreign interests. Since the Alien Ownership restrictions of Neb.Rev.Stat. 76-402 had not changed, as of 1994 and is still on the books, FEN's shares were once again illegally held by foreign controlled, US-chartered corporations. One must ask whether this is part of a concerted effort to avoid NRC regulations on foreign ownership by all the shareholders of FEN and related officers, directors, affiliates and attorneys. One must also ask how Mr. Collings can make disclosures like this without violating

NRC Regulation 40.9.

In 1994, a 49% interest in the Crow Butte mine was shifted from the IMC group to Uranerz, paving the way for Cameco's purchase of Geomex. 1994 was also the year that recently retired NRC Commissioner and new Winston & Strawn (now retired) Partner James R. Curtiss joined Cameco's Board of Directors for the last 14 years of continuous board service. This would have given Cameco the expertise to navigate the gray areas and loopholes in the AEA and NRC Regulations and help them articulate the "Cameco Loophole."

Geomex was acquired by Cameco in 1995 or 1996²² and Uranerz was acquired by Cameco in 1998. As discussed below, Geomex and Uranerz were Canadian-based subsidiaries of West German backed companies. See Cameco Press Release dated April 17, 1998, attached hereto (Uranerz Exploration and Mining Limited (UEM) and Uranerz USA, Inc., being purchased from parent company, Uranerzbergbau GmbH (UEB) which is jointly owned by Preussag AG and Rheinbraun AG (itself wholly owned by RWE AG, Germany's largest electrical utility, "[w]ith the acquisition of UUS's 57.69% interest in the Crow Butte in-situ leach (ISL) production centre in Nebraska, Cameco's ownership increases to 90%. As a result of this purchase, Cameco also adds about 23 million pounds U308 to its US reserve and resource base.").

²² See October 14, 1996 Cameco Press Release concerning acquisition of Power Resources, Inc., "Cameco presently owns about 32% of the Crow Butte ISL mine in Nebraska through its wholly owned subsidiary Geomex Minerals, Inc.", at p. 2., attached hereto

Once again in 1998, since Cameco had acquired a 90% controlling interest in Applicant, it reported it to the NRC²³. See NRC Appeal Brief at 27. However, it is not clear whether in its report to the NRC concerning the purchase of Uranerz, whether the NRC was informed that KEPCO's ownership would be restored to its original 10% interest. Somehow, between the time of Steve Colling's 1994 report to the NRC that Uranerz had 79%, Geomex had 16% and KEPCO had 5%, the shares were shifted around again in 1995 so that when Cameco bought Geomex it acquired just shy of a 1/3 interest (32.304%) of the Crow Butte mine. At that level, it appears that the transaction was specifically structured to avoid the appearance of the characteristics of control and that the other shareholders cooperated in the intra-shareholder transfers, possibly without any consideration, to shift an additional 16.304% to Geomex and an additional 5% to KEPCO in 1995.

These kinds of deceitful practices are contrary to Section 40.9, undermine the purposes of the AEA for the safe utilization of atomic energy and are grounds for denial of the sought after amendment and revocation of the Applicant's license under AEA Section 186²⁴ and NRC Regulations 40.71(b).

²³ (Accession No. 9805260014) re: purchase of Uranerz USA, Inc. report to Staff, June 5, 1998; the NRC Staff consented to the proposed change and determined that no license amendment was necessary. (Accession No. 9806120319).

²⁴ Sec. 186. Revocation.

a. Any license may be revoked for any material false statement in the application or any statement of fact required under section 182, or because of conditions revealed by such application or statement of fact or any report, record, or inspection or other means which would warrant the Commission to refuse to grant a license on an original application, or for failure to construct or operate a facility in accordance with the terms of the construction permit or license or the technical specifications in the application, or for violation of, or failure to observe any of the terms and provisions of this Act or of any regulation of the Commission.

b. The Commission shall follow the provisions of section 9(b) of the Administrative Procedure Act in revoking any license.

c. Upon revocation of the license, the Commission may immediately

Petitioners note that Cameco explains the staged acquisition of the Crow Butte mine in its Prospectus dated June 21, 1999, attached hereto, at page 7:

Crow Butte

Crow Butte is an in-situ leach uranium operation near Crawford, Nebraska which has been in production since 1991. **Cameco holds a 90% interest in Crow Butte through two wholly-owned subsidiaries, UUS Inc. (57.691%) and Geomex Minerals, Inc. ("Geomex") (32.309%). The remaining 10% share is owned by KEPCO Resources America, Ltd., a subsidiary of Korea Electric Power Company.** In 1998, Cameco's share of Crow Butte production was 655,000 pounds U3O8. At December 31, 1998 Cameco's share of reserves and resources was 10.2 million pounds and 25.0 million pounds, respectively. (emphasis added.)

Upon information and belief, in 2000, Cameco purchased the remaining 10% of the Crow Butte mine from KEPCO.

SUBPART G PROCEDURES IN THIS MATTER

As noted on Page 126 of the Memorandum, Petitioners have properly requested that the Board apply Subpart G hearing procedures to this proceeding, pursuant to 10 CFR Section 2.310(d) because these contentions necessitate resolution of issues of material fact relating to the occurrence of past events, i.e., whether CBR disputes any of the Relevant Facts. Memorandum at 126; Reference Petition at 2, 5. Specifically, Petitioners have requested discovery and expert testimony. Reference Petition at 5.

retake possession of all special nuclear material held by the licensee. In cases found by the Commission to be of extreme importance to the national defense and security or to the health and safety of the public, the Commission may recapture any special nuclear material held by the licensee or may enter upon and operate the facility prior to any of the procedures provided under the Administrative Procedures Act. Just compensation shall be paid for the use of the facility. 42 USC 2236 (emphasis added).

Discovery should include depositions, documents requests, interrogatories and any other discovery allowed under the Federal Rules of Evidence.

As noted at the oral argument, Entergy Nuclear Vermont Yankee et al. (Vermont Yankee Nuclear Power Station), LBP-06-20, 64 NRC 131, 201 (2006), stands for the proposition that the word “may” in 10 CFR Section 2.310(a) indicates that the Board has discretion in determining whether to hold hearings under Subpart L or Subpart G.

Where, as here, the Applicant has intentionally concealed material information from all of its Applications going back 20 years concerning the foreign ownership of Applicant, in clear violation of 10 CFR Section 40.9, the Board should exercise such discretion and grant Petitioners’ request for Subpart G hearing procedures.

The nature of the technical issues of geologic formations, intermixing of aquifers as well as the cultural issues, on the one hand, and the failure of the Applicant to be forthcoming and make appropriate disclosures even when required under the regulations, call for Subpart G in order to have a proper and accurate record.

The various characterizations and concealment of the identity and ownership and persons having control over this licensed uranium mine is astonishing. It gives rise to a presumption that every material statement of this Applicant must be tested as to its veracity. Material witnesses need to be examined to determine whether an ongoing fraud has been perpetrated on the People of the State of Nebraska due to intentional and long-term violations of the Alien Ownership Act at Neb.Rev.Stat. 76-402 and the restrictions on foreign ownership, control and domination under the AEA.

1. True Beneficial Ownership and Nature of Crow Butte Mine Was Intentionally Concealed From Regulators

From the beginning, the Crow Butte mine was a foreign owned and controlled joint venture between W. Germany and S. Korea – both of whom at that time shared (and Korea still shares) divided borders with communist nations viewed as enemies of the US. The corporate structure is complicated and difficult to understand and gives rise to a need for Subpart G discovery simply to ascertain what has transpired.

Based on publicly available information, it appears that in the late 1970s, when the citizens of West Germany were allowed to write off over 200% of income against taxes for funds invested in overseas mineral exploration, a number of West German mineral drilling partnerships, mostly in uranium, known as the “Sedimex Partnerships” founded E&B Canada Resources Ltd. (“E&B”), a private Canadian company to manage their investments. In May of 1983, E&B acquired a Canadian holding corporation known as Imperial Metals Corporation (“IMC”). The Sedimex Partnerships own approximately 36.5% of the IMC stock through 14 Colorado limited partnerships known as the “Sedex Partnerships” and including two entities known as “Sedex Securities Sixth Partnership and Sedex Securities Seventh Partnership. The Sedex Partnerships have as limited partners 14 other limited partnerships which are wholly-owned and managed by IMC. IMC is fifty percent (50%) owned by the West German investors through the Sedimex and Sedex Partnerships which are themselves managed and controlled by Novis Investitions GmbH which is controlled by **Dr. K. Peter Geib, Citizen of West**

Germany.²⁵

In May 1978, it was the West German investors who organized FEN to acquire, develop and operate mining projects in the United States, Canada and elsewhere as general partner of Geomex Development Sixth Partnership and Geomex Development Seventh Partnership. In 1978, First Exploration Company, Inc. ("FEC") entered into a 50/50 joint venture with Wyoming Fuel Company for the exploration and development of the Crow Butte Uranium Project. In January 1986, FEC and affiliates acquired Wyoming Fuel Company's 50% joint venture interest. Accordingly, in reality Applicant gives the impression that it is a US company it has always been an instrument of foreign interests.

In 1987, First Holding Company was organized to hold the stock of FEC and affiliates. FEC is wholly owned by First Holding Company which is held by shareholders including **William E. Grafham (CDN; Caymans Resident) (15.77%), W. Gene Webb (US) (5.26%), K. Peter Geib (DDR) (4.16%), Sedex Securities Sixth Partnership (12.99%) (DDR), Sedex Securities Seventh Partnership (24.93%) (DDR), Sedex Securities Ninth Partnership (2.67%) (DDR), E&B Mines (CDN)(1.27%), Geomex Minerals, Inc. (DDR) (1.11%) and FEC (2.00%).**

In May 1987, First Holding Company sold an interest in the Crow Butte Project to Uranerz USA, Inc., a wholly owned subsidiary of a West German mineral development corporation. In August of 1987, First Holding Company sold a 10% interest in the Crow Butte Project to the Korea Electric Power Company ("KEPCO"). This is the restructuring referred to in the Memorandum dated November 3, 1989, which is attached to Mark D. McGuire's Letter dated November 7, 1989. In late 1989, due to the NE

²⁵ We note that Mr. Geib appears to control Geomex but is an "Alternate" for FEN and First Holding which indicates control attributes⁵²

Attorney General ruling discussed above to the effect that FEN was in violation of the Alien Ownership Act at Neb.Rev.Stat. Section 76-402, FEN redistributed its stock as described above. As discussed above, these transactions indicate a willingness to enter into sham stock transfers and equity shifts, without consideration, simply to give the appearance of regulatory compliance.

In connection with this matter, and particularly in light of the fact that these sham equity transfers in 1989 caused prejudice to Petitioner WNRC's rights and its Nebraskan members' rights to compliance with the rulings of the NE Attorney General and with the Alien Ownership Law of Neb.Rev.Stat. 76-402, Petitioners under Subpart G procedures reasonably request complete discovery including answers to interrogatories similar to the ones propounded in WNRC's 1989 case in Lancaster County Court, attached hereto. Further discovery should include the deposition of Mark D. McGuire as to non-attorney-client privileged communications as well as any communications exempted therefrom by the crime/fraud exception²⁶ should it be found that there was a conscious arrangement to

²⁶ According to the Supreme Court in US v. Zolin, 491 U.S. 554, 563j (1989), "questions of privilege that arise in the course of the adjudication of federal rights are "governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience." Fed.Rule Evid. 501. We have recognized the attorney-client privilege under federal law, as "the oldest of the privileges for confidential communications known to the common law." Upjohn Co. v. United States, 449 U.S. 383, 389, 101 S.Ct. 677, 682, 66 L.Ed.2d 584 (1981). Although the underlying rationale for the privilege has changed over time, see 8 J. Wigmore, Evidence § 2290 (McNaughton rev. 1961),^{FN6} courts long have viewed its central concern as one "to encourage**2626 full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice." Upjohn, 449 U.S., at 389, 101 S.Ct., at 682. That purpose, of course, requires that clients be free to "make full disclosure to their attorneys" of past wrongdoings, Fisher v. United States, 425 U.S. 391, 403, 96 S.Ct. 1569, 1577, 48 L.Ed.2d 39 (1976), in order that the client may obtain "the aid of persons having knowledge of the law and skilled in its practice," Hunt v. Blackburn, 128 U.S. 464, 470, 9 S.Ct. 125, 127, 32 L.Ed. 488 (1888).

^{FN6}. See also Hazard, An Historical Perspective on the Attorney-Client Privilege, 66 Calif.L.Rev. 1061 (1978); Developments in the Law-Privileged Communications, 98 Harv.L.Rev. 1450, 1455-1458 (1985).

The attorney-client privilege is not without its costs. Cf. Trammel v. United States, 445 U.S. 40, 50, 100 S.Ct. 906, 912, 63 L.Ed.2d 186 (1980). "[S]ince the privilege has the effect of withholding relevant information from the factfinder, it applies only where necessary to achieve its purpose." Fisher, 425 U.S., at 403, 96 S.Ct., at 1577. The attorney-client privilege must necessarily protect the confidences of wrongdoers, but the reason for that protection-the

shift equity in sham transactions to evade regulatory requirements. Of course, if Mr. McGuire is found to be a material witness, he should withdraw as Applicant's counsel in this matter.

The deposition of Applicant's President Steve Collings should also be taken concerning all these matters. Depositions should be accompanied by appropriate deliveries of relevant documents.

In addition, Petitioners would like discovery concerning a meeting that took place on April 5, 1988, "State Briefing of RA & Staff" that involved the NDEC and Applicant's personnel. The copy of the notes that we have, attached hereto, states:

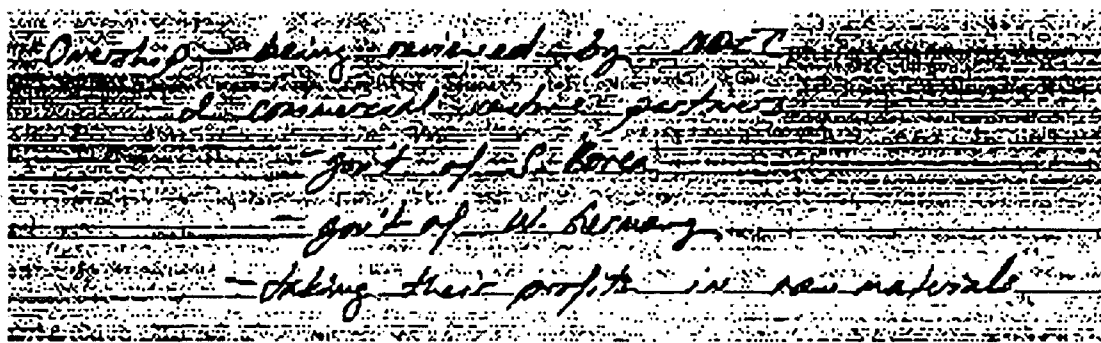
p.2 -

"Ownership - being reviewed by NDEC

- 2 commercial venture partners
- "Gov't of S. Korea"
- "Gov't of W. Germany"
- "taking their profits in raw materials"

...

"Region VI - Stephanie Johnson 219-665-7160"



centrality of open client and attorney communication to the proper functioning of our adversary system of justice-
"ceas[es] to operate at a certain point, namely, where the desired advice refers *not to prior wrongdoing*, but *563 to *future wrongdoing*." 8 Wigmore, § 2298, p. 573 (emphasis in original); see also *Clark v. United States*, 289 U.S. 1, 15, 53 S.Ct. 465, 469, 77 L.Ed. 993 (1933). It is the purpose of the crime-fraud exception to the attorney-client privilege to assure that the "seal of secrecy," *ibid.*, between lawyer and client does not extend to communications "made for the purpose of getting advice for the commission of a fraud" or crime. *O'Rourke v. Darbishire*, [1920] A.C. 581, 604 (P.C.)."

This indicates that the Crow Butte project was and has always been a joint venture between the foreign interests of the Government of South Korea and the Government of West Germany. Further, we note that in 1988, before the fall of the Berlin Wall, the United States was still engaged in the Cold War and dealing with the emergence of fundamentalist and terrorist extremists. During that time, in and close to the demilitarized zones that separate North Korea and South Korea, and East Germany from West Germany, the communist backed intelligence services were actively working through counterparts in their respective "sister" countries in the West. It is well known that the East German Stasi had one of the most effective and active intelligence services in the World. In fact, given the circumstances, it is not unlikely that some relative of an employee in the South Korean Electric Company (or the West German Electric Company) would be contacted and offered large sums of money by someone who is an operative for the communist sister country who might actually be related to that employee by blood or marriage. That being the case, where the parties intend to accept profit shares in the form of "raw materials," i.e., yellowcake uranium, one must ask whether any Crawford, Nebraska yellowcake might be sitting in an underground tunnel in North Korea this very moment.

If NRC regulators at appropriate levels had been made aware of this joint venture of foreign interests they would certainly have denied such attributes of foreign control, ownership and domination as being inimical to the common defense and security of the United States. While it is theoretically possible to imagine an effective Negotiation Plan for

such a venture, the entire matter would be subject to severe scrutiny at various levels of the US Government and its intelligence services as well as by the public and concerned citizen groups such as WNRC. Anyone who was aware of the applicable NRC regulations would have had to turn a blind eye or intentionally conceal the true ownership of the Crow Butte mine in order to secure an NRC license on behalf of his foreign bosses.²⁷ How could that not be inimical to the common defense and security of the United States?

Based on the foregoing, Petitioners seek discovery of all documents related to communications between KEPCO and any person involved with Applicant or any of its other shareholders. There is no basis for any privilege to be asserted with respect to such communications. Specifically, Petitioners seek evidence of an arrangement to evade the requirements of the Alien Ownership Act, Neb.Rev.Stat. Section 76-402.

In addition, it appears that Cameco engaged in a staged, "creeping acquisition" of Applicant in 1995-1996, 1998 and 2000 and in light of the apparent sham stock transactions among Geomex and Uranerz so that Geomex ended up being able to sell Cameco just under 1/3 ownership of the Crow Butte mine in the first stage of the purchase, and another percentage so as to perfectly give Cameco 90% (overwhelming control and able to perform "squeeze-out merger" of minority shareholders with dissenters' rights obligations) while adjusting KEPCO's percentage to equal its 10% ownership interest that was initially issued, then dis-avowed and then re-issued so that KEPCO would get the benefit of its bargain (and presumably would then refrain from bringing an embarrassing lawsuit). Therefore, further discovery should include all

²⁷ Such a person would also be in violation of 10 CFR Section 40.10 regarding deliberate misconduct.

Cameco documents related to its acquisition of Geomex and UUS, Inc. as well as any other information in its possession relevant to the matters being disputed in this case. In this regard, Petitioners are seeking to take the deposition of James R. Curtiss, former Winston & Strawn and current and 14 year Cameco Board member, as to non-attorney-client privileged communications as well as any communications exempted therefrom by the crime/fraud exception (see, Footnote 25 above), to find out if there was a conscious arrangement to shift equity in sham transactions to evade regulatory requirements and prepare Cameco's staged acquisition under the Cameco Loophole. We believe that in 1994 only a handful of individuals in the World would be so intimately familiar with the NRC regulations and gaps therein as Mr. Curtiss. In that year, Mr. Curtiss joined Cameco's Board and within a year after that, Cameco embarked on its creeping acquisition of Applicant under a new loophole, potentially discovered by Mr. Curtiss as one of the leading experts in the field. Therefore, Petitioners believe that Mr. Curtiss has personal knowledge relevant to these matters which are not privileged and which may be freely disclosed in this proceeding. Of course, if Mr. Curtiss is found to be a material witness, Petitioners will argue that Counsel for the Applicant, Mr. Smith of the Winston & Strawn firm, should withdraw as Applicant's counsel.

2. Applicant CBR Has Suppressed Geologic Data and Designed Monitoring to Avoid Detection of Suspected Groundwater Contamination For the Purpose of Concealing Knowledge of the Same Faults and Fractures Alleged by Petitioners to Exist

In connection with this matter, and particularly in light of the fact that these fractures and faults have been known to exist since at least 1984, Petitioners under

Subpart G procedures reasonably request complete discovery including the deposition of Applicant's President Steve Collings and the authors of the following 1984 Expert Hydrogeologist's Opinion, attached hereto (emphasis added):

Letter dated June 21, 1984 from Hoskins Western Sunderegger, Inc., Lincoln Nebraska to Upper Niobrara – White Natural Resources District, Chadron, NE

Re: EPA Aquifer Exemption Hearing for Uranium Mining Permit Application for Wyoming Fuel Company

Page 2 -

“...3. Wyoming Fuel has not shown that the lower Chadron is a separate unit of the Regional aquifer which includes the Chadron and the Brule. If the lower Chadron is hydraulically connected with the Brule, any injection would “endanger drinking water sources”....

“We have prepared an alternate geologic interpretation (Figures 1 and 2 of this letter) based on the Wyoming Fuel data submitted in the exemption petition. The alternate interpretation is a physical model which includes faults to explain changes between bore holes. Faults are known to occur in the region in connection with springs. Thus the fault fractures play an important role in the flow system by providing upward movement along faults. The best example of this is the large spring (1,000 GPM) at Fort Robinson State Park located about 6 miles west of Boring numbered PT-7. Numerous smaller springs occur in the area northwest to northeast of Boring numbered PT-7. It is possible that the disruption of groundwater flow by faulting caused the uranium ore to be deposited in the first place.”

/s/ David W. Thomssen, Certified Professional Geologist

/s/ Roy W. Elliot, Hydrogeologist

In addition, Petitioners were recently made aware of the following Whistleblower Letter (attached hereto) which describes the intentional suppression by Mr. Collings on behalf of FEN and by representatives of Uranerz, to conceal unfavorable geologic data:

Excerpt from John Petersen Letter dated April 4, 1989 to Gary Konwinski, NRC, Uranium Recovery Field Office, Denver –

“I am writing to you to express my concern regarding the probability of ground water contamination in the course of on-going and anticipated in situ uranium mining operations in Dawes County, Nebraska. These operations are directed by Ferret Exploration Company of Nebraska with joint venture support from Uranerz USA, Inc....”

“I am personally acquainted with the circumstances which are described herein through my former affiliation with Uranerz....During my employment by Uranerz I had the opportunity to examine the exploration data of the Crow Butte area in the course of my normal duties, and in fact, my opinion concerning the interpretation of the Crow Butte data was specifically sought by Uranerz management within the last year....I believe certain aspects of the geology of the Crow Butte uranium deposits have been deliberately overlooked or suppressed so that mining could proceed and profits be gained regardless of the effect upon local ground water quality....”

“...The amount of information that is now available in the general Crow Butte area is great enough to minimize the uncertainty of geologic interpretation to the point that certain probabilities (not possibilities) may be stated.”

“It is my understanding that geologists of the Nebraska State agencies involved in permitting believed that structural control of the Crow Butte mineralization was likely, but were ultimately dissuaded from that belief by Ferret personnel. In fact, it is my understanding that mining was only allowed to proceed because structural control was finally ruled out. I have no way of knowing exactly what information was used to arrive at that evaluation, but I can state that as a matter of my professional opinion I find it to be highly probable that most, if not all, uranium mineralization in the Crow Butte area is directly and primarily controlled by near-vertical faults cutting through the area.”

“Mr. Stephen P. Collings of Ferret and Mr. Karl Kegel, President of Uranerz USA, Inc. were made aware of the likelihood [sic] of structural control by means of technical memoranda written in July 1988 by another geologist in the Uranerz organization. This person would have reasons to fear retribution if he made his own views known to regulatory agencies. Since I am separated from Uranerz however, I am free to act. Mr. Kegel and Mr. Collings along with Mr. H. Akin, who is the

Uranerz Vice President in charge of mining operations, and who has immediate supervisory responsibility on behalf of Uranerz have apparently agreed to surpress [sic] general knowledge of the structural interpretation so that mining and exploration may proceed unimpeded.

“...It is true that hardly an area exists that is not somehow affected by faulting....In contrast, the Crow Butte area faults not only exist, but they control mineralization. The significance is obvious. **Near-vertical, secondary porosity that is provided by such faults make for natural and effective zones for ground water movement and also for the movement of uranium-laden solvents injected into the ore zone in the course of mining. Under these circumstances, the contamination of suprajacent, and to some extent, subjacent, aquifers becomes possible, if not likely.**”

“It is my understanding that Ferret, with the approval of Uranerz top management, has refused to undertake specifically designed drilling to investigate the significance of the structural control of mineralization. Clearly, Ferret and Uranerz will choose to ignore the existence of faults and their significance in relation to ground water quality unless they are forced to address the issue either by enforcement of regulation, or perhaps, if that is not forthcoming, by public pressure.”

“I believe that the Nebraska Department of Environmental Control and the Nuclear Regulatory Commission should require specific investigations to evaluate the significance of faulting in relation to ground water quality and that mining should be suspended until it can be shown that uranium mining has not and will not cause ground water contamination.”

The Whistleblower Letter contains conclusions very similar to the assertions by the Petitioners in connection with the admitted Contentions in this very case – through no coincidence. Accordingly, Petitioners under Subpart G procedures reasonably request complete discovery including the deposition of Applicant’s President Steve Collings, Mr. H. Akin, Mr. Karl Kegel, Uranerz, the July 1988 Geologist Memorandum referred to in the Whistleblower Letter and the testimony of the author thereof, John Petersen, if he is alive and can be found after almost 20 years.

Petitioners also seek discovery of all geologic data, drilling logs, water quality records, monitoring well records, well logs, data concerning the localized geology especially through the White River alluvium, data concerning flow rate, flow directions and porosity and related information that may be relevant to the admitted Contentions, including all those in the possession of Applicant or any current or former shareholder or joint venture partner thereof including Geomex and its affiliates, IMC and its affiliates, Uranerz and its affiliates and Cameco and its affiliates, whether in the US, Canada, Germany, Korea, or elsewhere.

3. Applicant Has Misrepresented the Nature of Consultations Regarding Mineral and Water Resources in Conflict With Testimony of Material Witnesses.

During oral argument Applicant's counsel made certain representations concerning the nature and extent of consultations and what might have occurred or been said. Specifically, the discussion with Mr. Harvey Whitewoman concerning water quality, and with regard to the pre-historic Indian Camp and artifacts was described by Counsel for Applicant. See, HT at 321 ("Harvey White Woman called and spoke to the Crow Butte. That's a statement of fact, that's in the nature of a consultation..."); HT at 323 ("Those requirements are that you consult with tribes, tribal governments in the potentially affected area, send out letters, follow up to make sure they respond."); HT at 326 ("in this particular set of circumstances it doesn't because no one from the tribes responded to the letter and identified potential cultural or archeological resources in the

area of the project. They didn't respond to the consultation. So that they didn't avail themselves of the opportunity to make a determination. That's all there is."); HT at 327 ("It's a consultation which is here is what we are going to do, do you have anything to say back. And if there is nothing back then that is the end of the process, there's-nothing more for the applicant to do there. They've responded.")

According to Mr. Whitewoman, no concerns of any kind were addressed. Affidavit of Harvey Whitewoman at Paragraphs 3-6. As attested to by the attached Affidavit of Harvey Whitewoman attached to Petitioners Memorandum of Law re: Indigenous Issues dated February 22, 2008, at the time, Mr. Whitewoman was employed as assistant to Mr. Johnson Holy Rock, who was the Fifth Member of the OST Council. The Office of the Fifth Member is a member of the Executive Committee of the Tribal Council and does not have any authority to bind the Tribe. Such authority rests with the Tribal Council and to some extent the Tribal President. Under the Oglala Sioux Tribe Constitution and Bylaws. Upon receipt of Applicant's notice to the Tribe that it planned to expand to a new site just south of the Pine Ridge Indian Reservation, Mr. Holy Rock sent a letter to Applicant to inquire about possible impacts on the Tribe's water resources. Receiving no response, Mr. Whitewoman as administrative assistant to the Fifth Member called to follow-up on the letter and spoke with a company representative, who explained the *in situ* mining process. Applicant's representative did not provide information to either Mr. Whitewoman, Mr. Holy Rock, or the OST on the potential impacts of the proposed new mine site on the Tribe's water resources. Affidavit of Harvey Whitewoman at Paragraphs 8-9.

Unfortunately, since the filing of his Affidavit, Mr. Whitewoman has succumbed to terminal cancer and passed on. Accordingly, Petitioners under Subpart G procedures reasonably request complete discovery including the deposition of whomever spoke with Mr. Whitewoman, whomever wrote the letters referred to in the Application and by Applicant's Counsel in the oral argument and referred to above, as well as the opportunity to submit testimony of Johnson Holy Rock and others with relevant information concerning the cultural resources. For example, there is general knowledge at Pine Ridge Indian Reservation that there was a plague on a large number of families who were camped out at or near Crow Butte. As a result, it is suspected that there may be Indian graves in addition to the other cultural resources in the area.

During the May 8, 2008 scheduling tele-conference, Mr. Steve Cohen, NRC Project Manager stated that he was restricted by something from revealing the location of the Indian Camp and artifacts except to a very large general area of about 160 acres. When Judge Oliver asked more precisely where it was, Mr. Cohen refused to answer saying he was restricted. It was stated that the Oglala Sioux Tribe Historic Preservation Officer could contact the Nebraska SHPO and get the information. This result makes no sense. We are in a legal proceeding governed by the Federal Rules of Evidence and further governed by the penalties of perjury, enforcement of contempt orders and our obligations as attorneys and officers of the court. There are mechanisms to protect the confidentiality of information including the presentation *in camera* with attorneys and not lay petitioner clients so that the information may be evaluated. It is also possible to include lay petitioner clients based on a written undertaking or court order to preserve the

confidentiality of the information. All these are sufficient to protect the interests – against theft or wrongdoing associated with the cultural artifacts – especially where, as here, the interests of the Indigenous Petitioners are the same as the interests being protected by the statute. Accordingly, Petitioners seek further discovery of the information withheld by Mr. Steve Cohen during the May 8, 2004 tele-conference subject to such protections as the Board may deem necessary or appropriate to protect the confidentiality and serve the purposes of the underlying statute.


CONCLUSION

For the reasons stated above, the foregoing legal principles and facts, especially in light of the reckless disregard by Applicant of the applicable laws and regulations concerning disclosure of foreign ownership and geologic information and the intentional concealment of such information from regulators, clearly support of the standing of Petitioners and the admissibility of Contention E stated in the Petition and the implementation of Subpart G discovery procedures including depositions, interrogatories and document requests under supervision of the Board as described above.

Respectfully submitted on this 23rd day of May, 2008

 /s/
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Attorney for WNRC

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION
ATOMIC SAFETY AND LICENSING BOARD PANEL

Before Administrative Judges:

Ann Marshall Young, Chair

Dr. Richard F. Cole

Dr. Fred W. Oliver

In the Matter of

CROW BUTTE RESOURCES, INC.
(In Situ Leach Facility, Crawford, NE)

Docket No. 40-8943

ASLBP No. 07-859-03-MLA-BD01

May 23, 2008

CERTIFICATE OF SERVICE

I hereby certify that copies "PETITIONERS' BRIEF CONCERNING CONTENTION E AND SUBPART G, together with the attachments thereto and referenced therein," in the above captioned proceeding have been served on the following persons by deposit in the by electronic mail as indicated by a double asterisk (**), and by deposit in the United States Mail as indicated by an asterisk (*); on this 23rd day of May, 2008:

Judge Ann Marshall Young, Chair * **
Atomic Safety and Licensing Board Panel
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Washington, DC 20555-0001
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Judge Fred W. Oliver * **
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Columbia, MD 21044
E-mail: FWOLIVER@verizon.net

Judge Richard F. Cole * **
Atomic Safety and Licensing Board Panel
U. S. Nuclear Regulatory Commission
Washington, DC 20555-0001
E-mail: Richard.Cole@nrc.gov

Mrs. Johanna Thibault * **
Board Law Clerk
Atomic Safety and Licensing Board Panel
U. S. Nuclear Regulatory Commission
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E-mail: Johanna.Thibault@nrc.gov

Office of the Secretary * **
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U.S. Nuclear Regulatory Commission
Washington, DC 20555
E-mail: Hearing.Docket@nrc.gov
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Western Nebraska Resources
Council **
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E-mail: buffalobruce@panhandle.net

Crow Butte Resources, Inc. **
Attn: Stephen P. Collings
141 Union Blvd., Suite 330
Lakewood, CO 80228
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522 7th Street, Suite 202
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E-mail elorina@gnzlawfirm.com

Respectfully submitted,



David C. Frankel
POB 3014, Pine Ridge, SD 57770
Tel: 308-430-8160



Hoskins • Western • Sonderegger, Inc.
PO Box 80358 825 J Street
Lincoln, Nebraska 68501
402/475-4241

June 21, 1984

Upper Niobrara - White Natural Resources District
P. O. Box 470
Chadron, Nebraska 69337

ATTENTION: Mr. John Williams, Manager

REFERENCE: EPA Aquifer Exemption Hearing for Uranium Mining Permit
Application for Wyoming Fuel Company

Gentlemen:

This letter is to provide comments for the EPA hearing to be held June 21, 1984 in response to the exempted aquifer petition submitted by Wyoming Fuel Company.

We will address 3 main points of conflict between the petition and the EPA rules and between the EPA and NDEC.

1. Title 40, Chapter 1, Subpart A, 146.4 (criteria for exempted aquifers) states that an USDW is an exempted aquifer if it meets criteria including: "(c) The total dissolved solids content of the groundwater is more than 3,000 and less than 10,000 mg/L..."

Wyoming Fuel Company's submitted data shows the proposed exempted aquifer to contain groundwater that has much less than 3,000 mg/L TDS (Range 1,000 mg/L to 1,300 mg/L).

Therefore, the USDW does not meet the criteria for exempted aquifer status.

2. The Nebraska Department of Environmental Control (NDEC) Rules and Regulations - Title 22 Chapter 1 (Definition) 020 - defines exempted aquifer as an "Underground Source of Drinking Water" (USDW) which has been exempted under Chapter 5. Definition 055 defines an USDW on an aquifer which in 055.02: "In which the groundwater contains fewer than 10,000 mg/L total dissolved solids".

Since the EPA regulations are more restrictive than the NDEC rules, the EPA rules should supersede the NDEC rules.

3. Wyoming Fuel has not shown that the lower Chadron is a separate unit of the Regional aquifer which includes the Chadron and the Brule. If the lower Chadron is hydraulically connected with the Brule, any injection would "endanger drinking water sources" which is a violation of Title 40, Chapter 1, Subpart A, 144.1(e).

We have prepared an alternate geologic interpretation (Figures 1 and 2 of this letter) based on the Wyoming Fuel data submitted in the exemption petition. The alternate interpretation is a physical model which includes faults to explain changes between bore holes. Faults are known to occur in the region in connection with springs. Thus the fault fractures play an important role in the flow system by providing upward movement along faults. The best example of this is the large spring (1,000 GPM) at Fort Robinson State Park located about 6 miles west of Boring numbered PT-7. Numerous smaller springs occur in the area northwest to northeast of Boring numbered PT-7. It is possible that the disruption of groundwater flow by faulting caused the uranium ore to be deposited in the first place.

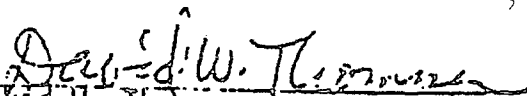
The burden of proof is on the mining company to show that the Lower Chadron is isolated from the remainder of the Regional Aquifer. The pump test was of limited scope. It would prove isolation of the Lower Chadron only out to a distance of 1/2 mile from the tested well. It is possible that the proposed Research and Development area is situated on one isolated fault block. Under this condition it would meet the criteria.

Additional pump tests of longer duration and over extended areas are needed to map the extent of the isolation of the Lower Chadron. Geophysical prospecting can detect zones of fractures. Angle-drilled holes across suspected fractures could provide locations for in-place permeability tests which could show the existence of vertical permeable zones which would connect all the geologic units into one aquifer.

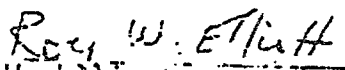
In summary the EPA rules do not allow an aquifer exemption for this petition, and because EPA rules are more stringent than NDEC rules, the EPA rules should supercede.

Very truly yours,

HOSMINS-WESTERN-SONDEREGGER, INC.



David W. Thomssen
Certified Professional Geologist #2460



Roy W. Elliott
Hydrogeologist

DWT/clh
84/2764(1)-NRDjj

R 52 W R 51 W

T 32 N

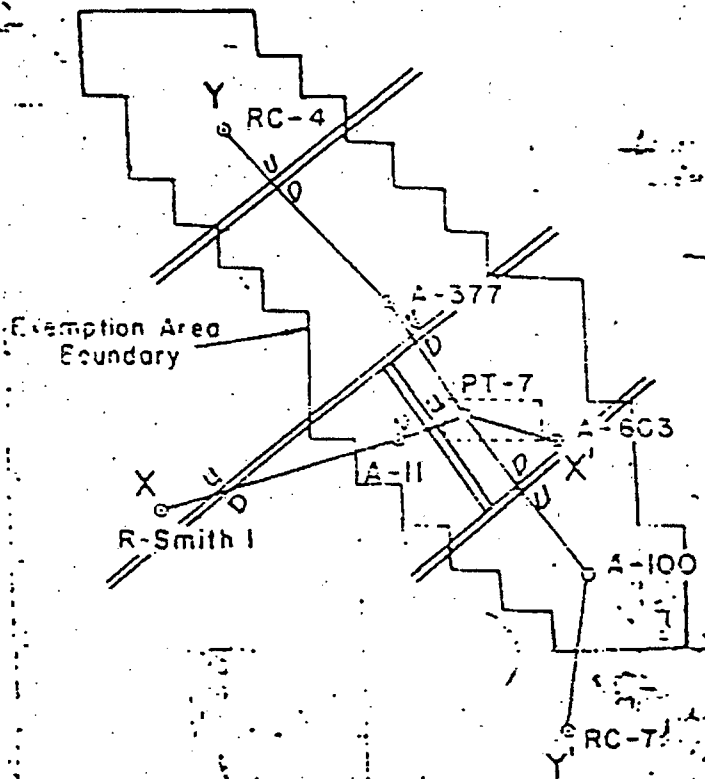
T 31 N

T 32 N

T 31 N

LEGEND

- ==== Fault
- U Up
- D Down



T 31 N

T 30 N

T 31 N

T 30 N

R 52 W R 51 W

ALTERNATE GEOLOGIC INTERPRETATION

SCALE 1:72,000
1" = 6,000'

6,000 3,000 0 6,000

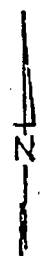


FIGURE 1

West

East

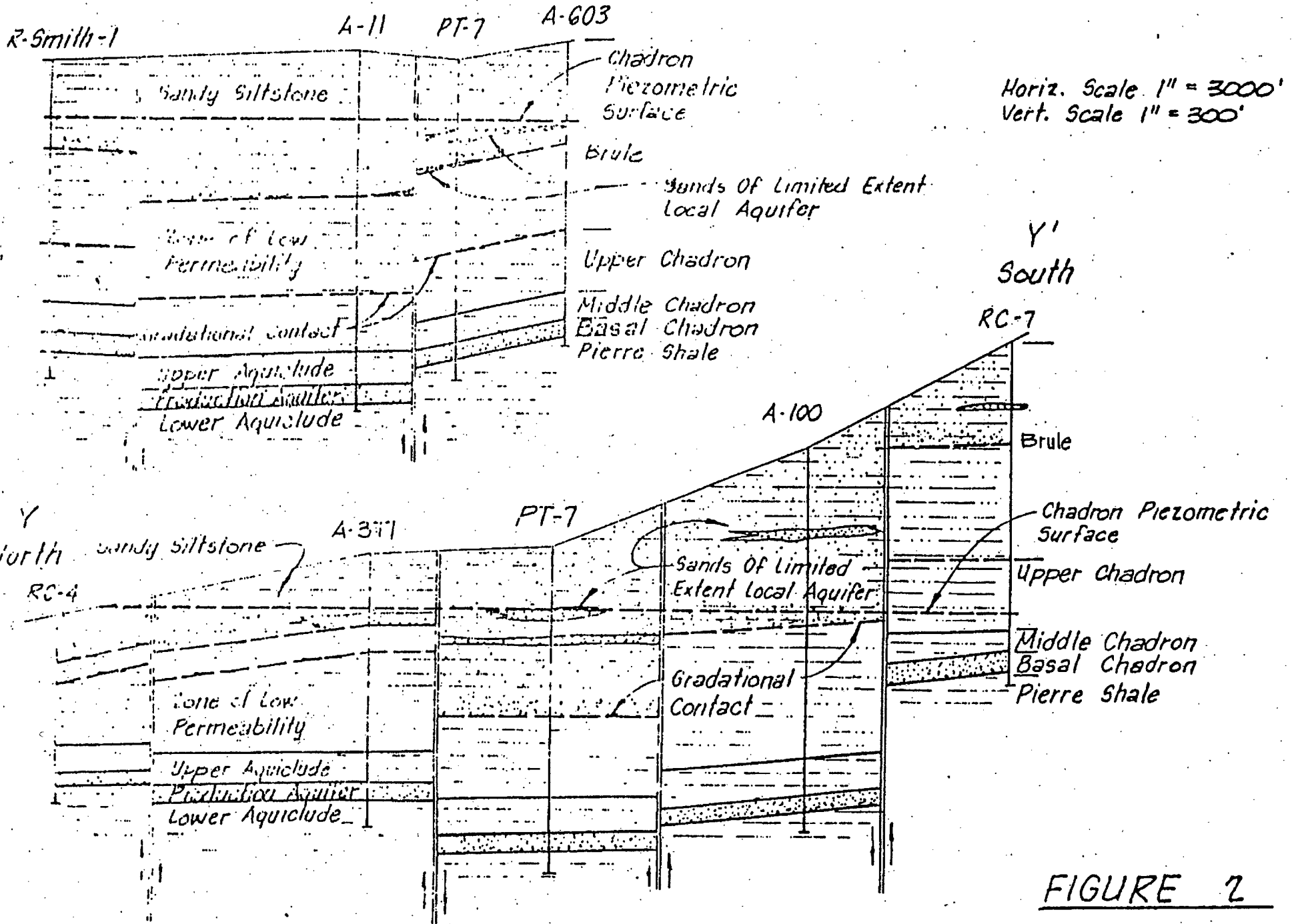


FIGURE 2

✓ Copy: Bill (Rudy) 24 April 89 rec'd 24 Apr
Carlson 24 April 89

HCR Box 331 B
Pearce, AZ 85625

4 April 1989

RECEIVED RECEIVED

APR 27 1989

APR 20 1989

DEPARTMENT OF
ENVIRONMENTAL CONTROL

DEPARTMENT OF
ENVIRONMENTAL CONTROL

Mr. Gary Konwinski
Nuclear Regulatory Commission
Uranium Recovery Field Office
P. O. Box 25325
Denver, CO 80225

Dear Mr. Konwinski:

I am writing to you to express my concern regarding the probability of ground water contamination in the course of on-going and anticipated in situ uranium mining operations in Dawes County, Nebraska. These operations are directed by Ferret Exploration Company of Nebraska with joint venture support from Uranerz USA, Inc. 165 S Union Blvd., Lakewood, CO.

I am personally acquainted with the circumstances which are described herein through my former affiliation with Uranerz. By way of establishing my credentials, I have been an exploration geologist for nearly twenty years. I have been involved in uranium exploration for the past fourteen years. During my employment by Uranerz I had the opportunity to examine the exploration data of the Crow Butte area in the course of my normal duties, and, in fact, my opinion concerning the interpretation of the Crow Butte data was specifically sought by Uranerz management within the last year. I wish to emphasize that this letter is certainly not resultant from anti-mining or anti-uranium sentiment. I am both in favor of a strong mining industry and a healthy nuclear power industry. Rather, I believe that certain aspects of the geology of the Crow Butte uranium deposits have been deliberately overlooked or suppressed so that mining could proceed and profits be gained regardless of the effect upon local ground water quality. In my opinion, such actions ultimately work to the detriment of those of us in mining who make good faith efforts to maintain environmental quality.

As you are aware, geologic interpretation is rarely based upon direct observation of all the necessary data, but rather relies heavily upon indirect evidence and inductive reasoning. Certainly, it can be difficult to arrive at final answers under such conditions. The amount of information that is now available in the general Crow Butte area is great enough to minimize the uncertainty of geologic interpretation to the point that certain probabilities (not possibilities) may be stated.

It is my understanding that geologists of the Nebraska State agencies involved in permitting believed that structural control of the Crow Butte mineralization was likely, but were ultimately dissuaded from that belief by Ferret personnel. In fact, it is my understanding that mining was only allowed to proceed because structural control was finally ruled out. I have no way of knowing exactly what information was used to arrive at that evaluation, but I can state that as a matter of my professional opinion I find it to be highly probable that most, if

not all, uranium mineralization in the Crow Butte area is directly and primarily controlled by near-vertical faults cutting through the area.

The evidence for such faulting may be found only by detailed evaluation of drilling results, and may be summarized as follows:

1. Uranium mineralization occurs in well-defined, NW-SE linear zones (an alternate interpretation relating linear trends to a redox boundary is unlikely since oxidized facies are not present and since the ore zones exhibit such a high degree of "straightness" that a lithologic or chemical boundary could not be the cause).
2. Structure profiles drawn at right angles to mineral trends show abrupt vertical offset of marker beds in a fashion that can only be explained by repetitive faulting after deposition of the marker beds. This faulting corresponds in location to the zones of strongest mineralization.
3. Mineral trends are coincident with and parallel to surficial geomorphic features which are most likely due to fault control of erosional patterns.
4. More subjective interpretations using isopachous and paleomorphologic interpretations are consistent with faulting during (?) and after Basal Chadron deposition.

Mr. Stephen P. Collings of Ferrat and Mr. Karl Kegel, President of Uranerz USA, Inc. were made aware of the likelihood of structural control by means of technical memoranda written in July 1988 by another geologist in the Uranerz organization. This person would have reason to fear retribution if he made his own views known to regulatory agencies. Since I am separated from Uranerz however, I am free to act. Mr. Kegel and Mr. Collings along with Mr. H. Akin, who is the Uranerz Vice President in charge of mining operations, and who has immediate supervisory responsibility on behalf of Uranerz have apparently agreed to suppress general knowledge of the structural interpretation so that mining and exploration may proceed unimpeded.

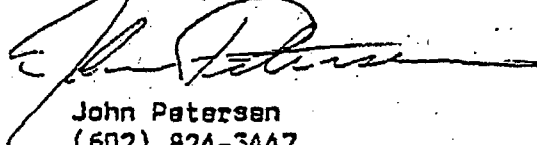
It is true that hardly an area exists that is not somehow affected by faulting. For example, the Uranerz North Butte property in Campbell County, Wyoming is also a potential in situ property. There, certain drill hole data have been suppressed in the preparation of a similarity document (c.f. Ruth) because they indicate, but do not prove, that faults may simply occur. In contrast, the Crow Butte area faults not only exist, but they control mineralization. The significance is obvious. Near-vertical, secondary porosity that is provided by such faults make for natural and effective zones for ground water movement and also for the movement of uranium-laden solvents injected into the ore zone in the course of mining. Under these circumstances, the contamination of suprajacent, and to some extent, subjacent, aquifers becomes possible, if not likely.

It is my understanding that Ferrat, with the approval of Uranerz top management, has refused to undertake specifically designed drilling to investigate the significance of the structural control of mineralization. Clearly, Ferrat and Uranerz will choose to ignore the existence of faults and their significance in relation to ground water quality unless they are forced to address the issue either by enforcement of regulation, or perhaps, if that is not forthcoming, by public pressure.

I believe that the Nebraska Department of Environmental Control and the Nuclear Regulatory Commission should require specific investigations to evaluate the significance of faulting in relation to ground water quality and that mining should be suspended until it can be shown that uranium mining has not and will not cause ground water contamination.

Unfortunately, I can not provide you with the actual exploration data, being proprietary. If you wish to discuss this letter or my conclusions you may reach me at the number below. I feel that I am ethically bound to report my professional assessment in this matter to you, I hope that it is sufficient to encourage you to seek the kind of detailed information you will need to make your own assessment.

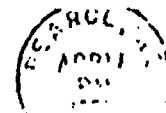
Sincerely yours,



John Petersen
(602) 824-3447

XC: Nebraska Department of Environmental Control.

John Petersen
HCR Box 331 B
Pearce, AZ 85625



186

Mr. Bill Gidley
Permits and Compliance
Nebraska State Department of Environmental Control
P. O. Box 98922
Lincoln, Nebraska 68509-8922



Crow Butte

State Briefing of RA & Staff

April 5, 1988

DEC

Original DEC Aquifer Exemp 84

NRC Permit 85

Reasons EPA exemption limited to 6.7 acres

Impacts & producibility - data from demonstration wanted

Producibility not demonstrated at time

Public comments - limit to area of actual injection

Because NDEC controls permit, they felt comfortable
granting the entire exemption - permits can
5 yrs

What DEC wants

1. to see process proceed as designed

a. aquifer exemption

b. permit

2. Aquifer exemption for life of project - not
having to come back periodically

3. DEC needs to have NRC & EPA's stuff done

so they can proceed - they will be major
focus of any adversarial attacks

NRC

EA - if significant impact may occur - will go on
to EIS (history of solution mining - no EIS
is usually required)

License for 5 yrs - shut up for renewal & can
be substantially modified - FONSI issued at each
licensing period

- safety or good review done annually

When last go - changed to allow commercial license
w/o demonstration project

Ferrett - restoration review - prepared to agree that
Co has restored to NRC's satisfaction

- to be issued ...

- changed from ~~the~~ well by well basis restoration to well field average restoration

- Sampling for restoration - split samples at beginning, middle & end of stabilization period

EA based on application - looks at the whole area

Financial structure - something other than directly owned - similar to PLRA & Superfund letter of credit

Ownership - being owned by NDEC

- of commercial water projects

- part of S. Korea

- part of W. Germany

- taking their profits in raw materials

Restoration looked at in comparison of to baseline, background & then specific wells (as needed)

Each mining unit to be 23 acres

- must establish a background for the well field (if about 23 wells in each well field)

- water quality of flow in near future after production ends

Series - construction, production, restoration, stabilization

- if one restorer is not completed to acceptable levels,

NDEC can stop production

NDEC

Persons to have exemption beyond size of production room for water supply "water source" processing process

Region VI

Stephanie Johnson 214-665-7160

Ferret
Exploration
Company of
Nebraska, Inc.

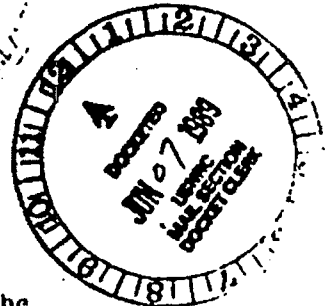


RETURN ORIGINAL TO PDR, HQ.

LPDR

June 2, 1989

Mr. Edward F. Hawkins, Branch Chief
Uranium Recovery Field Office
Region IV
U.S. Nuclear Regulatory Commission
Box 25325
Denver, Colorado 80225



RE: Crow Butte Commercial License Application; Docket No. 40-8943

Dear Mr. Hawkins:

As you know, Ferret Exploration Company of Nebraska, Inc. ("FEN") is the operator of the Crow Butte Project and the applicant for a source and by-product materials license for commercial solution uranium mining operations. FEN is prepared to respond to the first two points in your letter of May 16, 1989. We are pursuing an acceptable resolution of the waste disposal issue and will provide our response on that point as soon as possible.

Regarding your first point, the ownership of FEN's corporate shares is as follows:

Ferret Exploration Company, Inc.	28.304%
First Holding Company	8.196%
Geomex Minerals, Inc.	28.500%
Uranerz U.S.A., Inc.	25.000%
Korea Electric Power Corporation	10.000%

The first three are Delaware corporations, Uranerz U.S.A. is a Colorado corporation and Korea Electric Power is a South Korean corporation. Those five companies are also all of the Participants which, along with FEN, have financial interests in the Crow Butte Project under the Production Venture and Operating Agreement dated February 25, 1987, as amended, to which all six companies are parties. Other indirect financial interests in the Crow Butte Project that you may have heard about derive from independent relationships between the individual Participants and other entities, not from any corporate or contractual relationship with FEN or the Participants as a whole.

Mary C. Hard

NFC
Field 4/17 4:10

~~CONFIDENTIAL~~

8907050439 890602
PDR ADDC 04008943
C PDR

Mr. Edward F. Hawkins
June 2, 1989
Page Two

In response to your second point, decision making concerning the operation of the commercial project is governed by the Agreement referenced above. The Agreement provides a management structure similar to that of a typical U.S. corporation, which is also typical for mining projects in the U.S. There is a Management Committee whose role is similar to a corporate board of directors. It has the general responsibility to direct the business and affairs of the commercial production Venture, much as a corporate board of directors does. Its normal meetings are twice a year. It is composed of two representatives, one voting and one nonvoting, of each Participant. The votes of the Participants are weighted in proportion to their interests in the Venture, and no single Participant has an interest that even approaches a majority. All decisions require a vote of at least 50.1%. Thus, no one Participant can control the decisions of the Management Committee.

The present members of the Management Committee for the commercial production venture are as follows:

<u>Participant</u>	<u>Primary</u>	<u>Alternate</u>
Ferret	Ralph Barnard	Dr. Peter Geib
First Holding	Gene Webb	Dr. Peter Geib
Geomex	Dr. Hugh Morris	Pierre Lebel
Uranerz	Karl-Ernst Kegel	Hikmet Akin
Kepco	S.M. Chang	E.W. Kim


FEN is the Manager and operator of the commercial production Venture under the Agreement mentioned above, with overall management responsibility to direct and control the operations of the Venture and the Crow Butte Project. FEN prepared the development plan for the commercial operation. It prepares the programs and budgets to implement that plan for consideration and approval at the semi-annual Management Committee meetings. FEN also has responsibility to conduct all operations necessary to achieve the objectives of the plan and the programs. FEN's responsibility specifically includes obtaining all necessary licenses for commercial operations, conducting commercial operations and activities which are authorized by the licenses, and complying with all laws and regulations applicable to those operations and activities. FEN performs these activities through its management, which continues to include myself as president, Steve Collings as vice president and all of the other employees you are familiar with from the past.

FEN believes that the commercial production Venture structure makes it clear that FEN has and will continue to control all activities and materials at the Crow Butte Project which are subject to licensing requirements under the Atomic Energy Act of 1954. Therefore, FEN is the proper applicant and licensee for the project.

Mr. Edward F. Hawkins
June 2, 1989
Page Three

We believe that this fully answers the first two points in your letter of May 16.
Please let me know if you need any additional clarification.

Sincerely,

A handwritten signature in black ink, appearing to read "Thor Gjelsteen", with a long horizontal flourish extending to the right.

Thor Gjelsteen
President

LAW OFFICES

CROSBY, GUENZEL, DAVIS,
KESSNER & KUESTER
LINCOLN BENEFIT BUILDING
134 SOUTH 13TH STREET, SUITE 600
LINCOLN, NEBRASKA 68508
(402) 478-5131

Dept. of Justice

NOV 08 1989

State of Nebraska

ROBERT B. CROSBY
THOMAS R. FANSHIRE (1917-1972)
ROBERT C. GUENZEL
DONN E. DAVIS
THEODORE L. KESSNER
WILLIAM D. KUESTER
STEVEN G. SCOLIN
MARK D. MCGUIRE
SCOTT J. MOROV
GREGORY E. BARTLE
ROGER C. WOODR
RICH G. WOOD

TELECOPIER
(402) 478-3000

November 7, 1989

Honorable Robert M. Spire
Attorney General
State of Nebraska
2115 State Capitol Building
Lincoln, Nebraska 68509

Re: Ferret Exploration Company of Nebraska, Inc., and Crow Butte Land
Company

Dear Mr. Spire:

This letter will confirm the matters I discussed with Deputy Attorney
General Eugene Crump on November 7, 1989. Specifically, this is
notifying you of the changes that are being made with respect to the
structure of Ferret Exploration Company of Nebraska, Inc. (FEN).

As the enclosed memorandum from Mr. J.F. Walborn, Assistant Secretary
of FEN indicates, a change in the stock ownership of FEN has been
agreed to by the principal shareholders so that Ferret Exploration
Company, Inc., a Delaware corporation, will hold title to 96% of the
stock of FEN. The other stock ownership changes agreed to are more
fully set forth in Mr. Walborn's memorandum. The documents necessary
to implement this agreement are in the process of being finalized.

We have previously advised you that the directors of FEN are five
persons, one of which is a U.S. citizen and the other four are
non-U.S. citizens. The Board of FEN is in the process of being
expanded to have nine directors. The four new appointees all will be
U.S. citizens. Consequently, the new Board of Directors of FEN will
consist of five U.S. citizens and four non-U.S. citizens.

As you are aware, FEN has in the past relied in good faith upon the
"manufacturing or industrial establishment" exception in Neb. Rev.
Stat. §§76-413 and 76-414. As a consequence of the changes described
above, it is my understanding that your Office will deem any foreign
ownership problems which have been identified as resolved.

The foregoing resolution of this matter will, as we understand it,
include your Office advising Mr. Grams that the directive given to him
by Steven J. Moeller on September 19, 1989, is withdrawn and that Mr.
Grams and the Department of Environmental Control should move forward

with processing permit applications now pending before it pertaining to the Crow Butte Project. I trust that you will confirm to me that this matter is resolved.


If after reviewing the contents of this letter you should have any questions, please call Jeff Welborn or Ric Fanyo, (303) 861-8013, if you are unable to reach me. Although I will be traveling tomorrow, November 8th, I will be calling back to my office from time to time from various airports and can receive any message you might leave and visit with you at that time.

As I have expressed before, we appreciate very much the opportunity to visit with you and to resolve your concerns.

Sincerely,

CROSBY, GUENZEL, DAVIS,
KESSNER & KUESTER

By


Mark D. McGuire

MDM:pas/mdml3T

Enclosure

cc: Thor Gjalsteen (w/o enclosure)
Ric Fanyo (w/o enclosure)
Jeff Welborn (w/o enclosure)

MEMORANDUM

November 3, 1989

PENDING CHANGES IN SHARE OWNERSHIP OF
FERRET EXPLORATION COMPANY OF NEBRASKA INC. (FEN)

I have been the Assistant Secretary of FEN since the recapitalization of FEN which occurred in February of 1987. As a result of that recapitalization, the shares of FEN were and are held and owned as follows:

Ferret Exploration Company, Inc., a Delaware corporation	<u>28.304%</u>
Geomex Minerals, Inc., a Delaware corporation	<u>28.5 %</u>
First Holding Company, a Delaware corporation	<u>8.196%</u>
Uranerz U.S.A., Inc., a Delaware corporation	<u>25%</u>
Korea Electric Power Corporation, a Republic of Korea corporation	<u>10%</u>

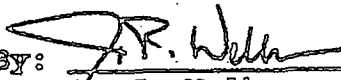
The shareholders realized at the time of this recapitalization that a further change in share ownership might be necessary in the future in order to bring the project more in line with the way U.S. mining operations are held when there are multiple participants. Such a change has now been agreed to in principle by the shareholders, and the necessary documents are being circulated for review and final approval. When the change is finalized the share ownership of FEN will be as follows:

Ferret Exploration Company, Inc., a Delaware corporation	<u>96 %</u>
Geomex Minerals, Inc., a Delaware corporation	<u>1 %</u>
First Holding Company, a Delaware corporation	<u>1 %</u>
Uranerz U.S.A., Inc., a Delaware corporation	<u>1 %</u>
Korea Electric Power Corporation, a Republic of Korea corporation	<u>1 %</u>

PENDING CHANGES IN SHARE OWNERSHIP OF
FERRET EXPLORATION COMPANY OF NEBRASKA INC. (FEN)
November 3, 1989
Page Two

This change will be evidenced by the issuance of new stock certificates and the surrendering of existing stock certificates to the company. In addition, it will be evidenced by the appropriate entries in the stock book of FEN. Copies of these certificates and of the stock book entries will be available for review if necessary.

Ferret Exploration Company of
Nebraska, Inc.

By: 

J. F. Welborn
Assistant Secretary

0561Q/44

COPY

DEPARTMENT OF JUSTICE

STATE OF NEBRASKA

TELEPHONE 402/471-2682 • STATE CAPITOL • LINCOLN, NEBRASKA 68509

ROBERT M. SPIRE
Attorney General
A. EUGENE CRUMP
Deputy Attorney General

September 19, 1989

Dennis Grams, Director
Department of Environmental Control
P.O. Box 98922
Lincoln, NE 68509-8922

RE: Ferret Exploration of Nebraska, Inc.
Crow Butte Land Co., Inc.

Dear Dennis:

We are requesting that your agency take no further action in issuing any further permits in regards to the two above corporations pending the outcome of action by the Secretary of State to forfeit their charters and dissolve them.

We believe that the above two corporations are in violation of the alien ownership of property provisions located in Neb.Rev.Stat. §§76-400 through 76-415.

If you have any questions, please feel free to contact me.
Thank you.

Sincerely yours,

ROBERT M. SPIRE
Attorney General

Steven J. Moeller
Steven J. Moeller
Assistant Attorney General

19-409-3

L. Jay Bartel
Elaine A. Catlin
Dolores N. Coe-Barbee
Dale A. Comer
David Edward Cygan
Lynne R. Fritz

Denise E. Frost
Yvonne E. Gates
Royce N. Harper
William L. Howland
Marilyn B. Hutchinson
Donald E. Hyde

Kimberly A. Klein
Donald A. Kohtz
Charles E. Lowe
Lisa D. Martin-Price
Steven J. Moeller
Harold L. Mosher
Fredrick F. Neid

Bernard L. Packett
Marie C. Pawol
Kenneth W. Payne
Douglas J. Peterson
LeRoy W. Sievers
James H. Spears

Mark D. Starr
John R. Thompson
Susan M. Ugal
Terri M. Weeks
Melanie J. Whittamore
Linda L. Willard

STATE OF NEBRASKA
Department of Justice



LINCOLN, NEBRASKA 68509 • TEL. (402) 471-2682
ROBERT M. SPIRE
Attorney General

September 18, 1989

Contact: Steven J. Moeller
(402) 471-2682

P R E S S R E L E A S E

The Nebraska Attorney General's Office has concluded a review of allegations raised by Western Nebraska Resource Council (WNRC) surrounding the Crow Butte Uranium Mining Project in Chadron, Nebraska. The Attorney General's Office believes that based on the evidence it has reviewed there is no basis for any criminal prosecution, at this time, for statements made by Ferret Exploration Company of Nebraska, Inc. (FEN) officials at public meetings. The Attorney General's Office believes that Ferret Exploration Company of Nebraska, Inc. is in violation of the alien ownership of property provisions located in Neb.Rev.Stat. §§76-400 through 76-415.

WNRC contacted the Attorney General's Office in May, 1989 to request that the Attorney General's Office investigate statements made by FEN officials at public hearings concerning faulting or fracturing that maybe occurring in the rock formation that contains the uranium bearing ore. Also, WNRC believed that FEN was holding mineral leases and was owned by aliens, which would amount to a

violation of the alien property ownership provisions contained in Neb.Rev.Stat. §§76-400 through 76-415.

The Attorney General's Office conducted an investigation by asking for materials and information from FEN as well as reviewing testimony made by FEN officials at public hearings.

Upon initial review by the Attorney General's Office, it was determined that at most there is a scientific controversy concerning whether faulting or fracturing was taking place at the project site, thus, WNRC's allegations concerning perjury or false statements were without merit. Further, the Attorney General will not conduct an investigation into faulting or fracturing at the site, since we lack the expertise or statutory authority to conduct such an investigation.

FEN appears to have a majority of stockholders who are aliens as well as a majority of its Board of Directors who are aliens, which bring it under the alien property provisions. FEN has raised a number of defenses, claiming that the statutes are unconstitutional, treaties with other nations are controlling and that under the statutes themselves they are exempt. The Attorney General's Office has reviewed these points and has determined that they are without merit. Moreover, there is no merit to WNRC's claim that FEN violated Nebraska laws dealing with incorporation, since no false statements appear to have been made at this time.

The Attorney General's Office will contact the county attorney where the leases are located and ask that forfeiture proceedings begin as authorized under Neb.Rev.Stat. §76-408. The Attorney

General's Office will contact the Secretary of State to begin an action to forfeit the charter and dissolve Ferret Exploration of Nebraska and its wholly owned subsidiary Crow Butte Land Company, so that each company forfeits its right to do business in the State. Further, the Attorney General's Office will ask that the Director of Environmental Control delay issuing any further permits to these corporations pending the outcome of the action by the Secretary of State.

19-391-3

IN THE DISTRICT COURT OF LANCASTER COUNTY, NEBRASKA

STATE OF NEBRASKA, ex rel.)	
WESTERN NEBRASKA RESOURCES COUNCIL, INC.,)	Case No. 451-098
)	
Petitioner,)	
)	
vs.)	PETITIONER'S
)	FIRST SET OF
)	INTERROGATORIES
ALLEN J. BEERMANN, SECRETARY OF STATE)	
FOR THE STATE OF NEBRASKA,)	
)	
Respondent.)	

TO: ALLEN J. BEERMANN, SECRETARY OF STATE FOR THE STATE OF NEBRASKA, through his attorney, David Edward Cygan, Assistant Attorney General, 2115 State Capitol Building, Lincoln, Nebraska 68509-8920:

You are hereby requested to answer separately and in writing under oath pursuant to Nebraska Supreme Court Rule 33, within thirty (30) days of the time service is made upon you, or at such other time as may be agreed upon by the parties, the following interrogatories.

These interrogatories shall be deemed continuing, and if you, or your attorneys, discover additional information at to the matters inquired of in these Interrogatories between the time answers are made and the date of trial, final or summary judgment, supplemental answers should be made informing Western Nebraska Resources Council, Inc., and its attorneys as to the newly-discovered information.

DEFINITIONS

1. "Petition" means the Petition, as amended filed by Western Nebraska Resources Council, Inc. ("WNRC") as relator herein.

2. "You" or "Your" means the Respondent, Allen J. Beermann, acting in his official capacity as Secretary of State for the State of Nebraska, the office of the Secretary of State for the State of Nebraska, and any and all officers, agents, employees, representatives, and attorneys.

3. "Document" means any writing or any other records of information of any kind or description, however produced or reproduced, whether draft or final, original or reproduction and each nonidentical copy thereof (whether different from the original by means of notes made on such copy or otherwise), in the actual or constructive possession of you, including by not limited to, letters, correspondence, memoranda, notes, transcripts, contracts, agreements, licenses, memoranda of

telephone or personal conversations, drawings, graphic representations, microfilm, microfiche, telegrams, books, pamphlets, statements, notices, reports, rules, directives, teletype or telefax messages, communications, minutes of meetings, interoffice communications, reports, financial statements, ledgers, books of account, proposals, offers, orders, receipts, working papers, desk calendars, appointment books, diaries, time sheets, logs, recordings of materials similar to any of the foregoing, however denominated by you, and including data printouts, data compilations, (both in existence and stored in memory components) and other compilations from which information can be obtained and translated if necessary into reasonably usable form.

4. "Person" means any natural person, group of natural persons acting as individuals, group of natural persons acting in a collegial capacity (e.g., as a committee, board of directors, etc.), corporation, partnership, joint venture, and any other incorporated or unincorporated business or social entity.

5. "Relating to" when used in connection with any document or communication means any documents or communications recording, summarization, referring to, responding to, commenting on, describing, digesting, reporting, abstracting, listing, analyzing, studying, transcribing, or discussing the matter identified in the Interrogatory.

INSTRUCTIONS

1. These Interrogatories are intended pursuant to Rule 26(e) of the Nebraska Supreme Court Discovery Rules, to be continuing, and you are requested to make prompt, further and supplemental responses whenever any additional information is discovered responsive hereto.

2. If any information called for by these Interrogatories is withheld on the ground that it is privileged, constitutes attorney work product, or is for any other reason exempt from discovery, set forth the ground or grounds for withholding such information, explain what type of information is being withheld and furnish such additional information as may be required to enable an adjudication of the proprietary of the refusal to furnish such information.

3. "And" as well as "or" shall be construed either disjunctively or conjunctively, and references shall be construed either as singular or plural, as necessary to bring within the scope of the Interrogatories any information which might otherwise be construed to be outside their scope.

4. Wherever an Interrogatory calls for the identification of any person, identification of any natural person should include the person's full name, present or last known business

and home address, occupation including title and job description, and the most recent employer including name and address of such employer. Whenever the person identified is a business, entity or firm (e.g., a company, corporation, manufacturer, producer, organization, partnership, joint venture, etc.), state the proper name of such and the address of its principal office.

5. Whenever an Interrogatory calls for identification of conduct, describe the specific act comprising the conduct, including the date (or best approximation of the date) that the act occurred, the location where the act occurred and the identification of each person known to have been involved in the act.

6. Whenever an Interrogatory calls for identification of any communication, describe the specific act comprising such communication, the date (or best approximation of the date), the location where the communication occurred, the mode of communication (i.e., in person, by telephone, etc.), each person who participated in or witnessed the communication, the substance of the communication and any documents relating to the communication.

7. Whenever an Interrogatory calls for identification of any document, the identification should include the type of document (e.g., letters, memorandum, telegram, etc.); the date, the name, address, and position of its author; the name, address, and position of all addressees and recipients; the contents of the document, the custodian of the document and its present location. Any document to be so identified may be produced for inspection in lieu of such identification.

INTERROGATORIES

INTERROGATORY NO. 1: Identify and describe the role of each person other than counsel answering these Interrogatories or who participated in or assisted in answering these Interrogatories.

INTERROGATORY NO. 2: Identify each person you intend to use as a witness in this matter, either at trial or as an affiant for summary judgment.

INTERROGATORY NO. 3: For each person identified in answer to Interrogatory No. 2, please set forth with specificity all matters to which each such person shall testify.

INTERROGATORY NO. 4: For each person identified in answer to Interrogatory No. 2 who you expect to call as an expert witness in this matter:

- (a) Identify each such expert, including his/her field of expertise;
- (b) State the substance of the facts and opinions to which the expert is expected to testify; and

(c) State a summary of the grounds for each opinion.

INTERROGATORY NO. 5: Please identify all documents you intend to offer into evidence a trial or for summary judgment.

INTERROGATORY NO. 6: Please identify all facts which form the basis for any defense you may assert or claim in response to the Petition filed in this matter.

INTERROGATORY NO. 7: Please identify any and all communications you have had with any and all persons relating to the ownership or existence of any interest in real estate (including but not limited to fee, leasehold, mineral interests, royalty interests, easements, contracts, and any interest less than fee) within the state of Nebraska of Crow Butte Land Company or Ferret Exploration Company of Nebraska, Inc. or of any present or former parent, subsidiary, affiliate, partner, joint venturer, agent, or representative (including but not limited to the Crow Butte Joint Venture Partnership, Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Geomex Minerals, Inc., E&B Mines, Imperial Metals Corporation, Sedex Securities Corporation, Sedex Securities Sixth Partnership, Ltd., Sedex Securities Seventh Partnership, Ltd., Sedex Securities Ninth Partnership, Ltd., Sedimex Mineralexplorations GmbH, Novis Investitions GmbH, Geomex Development Sixth Partnership, Geomex Development Seventh Partnership, Uranerz U.S.A., Inc., or Korea Electric Power Company).

INTERROGATORY NO. 8: Please identify any and all communications you have had with any and all persons relating to the citizenship, residency, or alienage of Crow Butte Land Company or Ferret Exploration Company of Nebraska, Inc. or of any present or former parent, subsidiary, affiliate, partner, joint venturer, agent, or representative (including but not limited to the Crow Butte Joint Venture Partnership, Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Geomex Minerals, Inc., E&B Mines, Imperial Metals Corporation, Sedex Securities Corporation, Sedex Securities Sixth Partnership, Ltd., Sedex Securities Seventh Partnership, Ltd., Sedex Securities Ninth Partnership, Ltd., Sedimex Mineralexplorations GmbH, Novis Investitions GmbH, Geomex Development Sixth Partnership, Geomex Development Seventh Partnership, Uranerz U.S.A., Inc., or Korea Electric Power Company); or the citizenship, residency, or alienage of any and all officers, managers, or directors of any of the aforesaid entities.

INTERROGATORY NO. 9: Please state with particularity the basis and rationale of your initial decision, including the specific facts upon which you relied (including but not limited to the advice of the Attorney General and counsel), on or about September 18, 1989, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., that they were in

violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY NO. 10: Please identify any and all communications or documents which you considered in making your initial decision on or about September 18, 1989, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., were in violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY NO. 11: Please state with particularity the basis and rationale of your decision, including the specific facts upon which you relied (including but not limited to the advice of the Attorney General and counsel), on or about January 29, 1990, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., were not in violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY NO. 12: Please identify any and all communications or documents which you considered in making your decision on or January 29 1990, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., that were not in violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY NO. 13: Please state with particularity the basis and rationale of your decision, including the specific facts upon which you relied (including but not limited to the advice of the Attorney General and counsel), subsequent to the meeting with Western Nebraska Resources Council, Inc., on May 18, 1990, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., were not in violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY NO. 14: Please identify any and all communications or documents which you considered in making your decision subsequent to the meeting with Western Nebraska Resources Council, Inc., on May 18, 1990, that Crow Butte Land Company and Ferret Exploration Company of Nebraska, Inc., were not in violation of the alien or foreign real estate ownership laws of Nebraska.

INTERROGATORY 15: Describe in detail the procedure that has been followed by you since 1978 to review an application for incorporation, domestication, or registration to do business, to determine whether or not the application or registrant is in compliance with the laws of Nebraska relating to the ownership of real estate interests in Nebraska by alien or foreign persons or entities.

INTERROGATORY 16: For each of the following entities, describe in detail and with specificity, including but not limited to the identification of any and all communications and

documents, any and all action taken by you at each time each entity filed for incorporation as a domestic corporation, filed for domestication, or registered as a foreign corporation, relating to or to determine the ownership of real estate interests in Nebraska, residency and alienage, and whether or not each entity was in compliance or violation of the alien or foreign real estate ownership laws of Nebraska: Crow Butte Land Company, Ferret Exploration Company of Nebraska, Inc., Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Uranerz U.S.A., Inc.

INTERROGATORY 17: For each of the following entities, describe in detail and with specificity, including but not limited to the identification of any and all communications and documents, any and all action taken by you at any time relating to or to determine the ownership of real estate interests in Nebraska, residency and alienage, and whether or not each entity was in compliance or violation of the alien or foreign real estate ownership laws of Nebraska: Crow Butte Land Company, Ferret Exploration Company of Nebraska, Inc., the Crow Butte Joint Venture Partnership, Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Geomex Minerals, Inc., E&B Mines, Imperial Metals Corporation, Sedex Securities Corporation, Sedex Securities Sixth Partnership, Ltd., Sedex Securities Seventh Partnership, Ltd., Sedex Securities Ninth Partnership, Ltd., Sedimex Mineralexplorations GmbH, Novis Investitions GmbH, Geomex Development Sixth Partnership, Geomex Development Seventh Partnership, Uranerz U.S.A., Inc., or Korea Electric Power Company.

INTERROGATORY 18: Describe in detail the procedure that has been followed by you since 1978 to determine whether or not a person or entity is engaged in business in Nebraska and must register with you and pay occupation taxes in compliance with the laws of Nebraska relating thereto.

INTERROGATORY 19: For each of the following entities, describe in detail and with specificity, including but not limited to the identification of any and all communications and documents, any and all action taken by you at any time relating to or to determine whether or not each entity was engaged in business in the state of Nebraska, required to register with you, or required to make corporate reports or pay corporation occupation taxes: the Crow Butte Joint Venture Partnership, Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Geomex Minerals, Inc., E&B Mines, Imperial Metals Corporation, Sedex Securities Corporation, Sedex Securities Sixth Partnership, Ltd., Sedex Securities Seventh Partnership, Ltd., Sedex Securities Ninth Partnership, Ltd., Sedimex Mineralexplorations GmbH, Novis Investitions GmbH, Geomex Development Sixth Partnership, Geomex Development Seventh Partnership, Uranerz U.S.A., Inc., or Korea Electric Power Company.

INTERROGATORY 20: Identify any and all communications that have been made to you or documents filed with you at any time which have not been identified in your answers to the previous Interrogatories for the following entities: Crow Butte Land Company, Ferret Exploration Company of Nebraska, Inc., the Crow Butte Joint Venture Partnership, Ferret Exploration Company, Inc., First Exploration Company, First Holding Company, Geomex Minerals, Inc., E&B Mines, Imperial Metals Corporation, Sedex Securities Corporation, Sedex Securities Sixth Partnership, Ltd., Sedex Securities Seventh Partnership, Ltd., Sedex Securities Ninth Partnership, Ltd., Sedimex Mineralexplorations GmbH, Novis Investitions GmbH, Geomex Development Sixth Partnership, Geomex Development Seventh Partnership, Uranerz U.S.A., Inc., or Korea Electric Power Company.

INTERROGATORY 21: For each of the following persons and entities, if known to you, state the nation and state of citizenship and address of residency and describe in detail the basis for each statement, including but not limited to the identification of any and all communications and documents used to reach your conclusion:

Thor Gjelsteen
Stephen P. Collings
Ralph Knode
William Eugene Webb
(aka W. Gene Webb)
Brad H. Hamilton
William E. Grafham
Dr. K. Peter Geib
Dr. Hugh C. Morris
Gerhard Glattes
Dr. Manfred Binder
(aka Manfred Binder)
Rolf Weitzel
James Devonshire
(aka G.A. James Devonshire)
Eung Wan Kim
(aka E.W. Kim)
S.M. Chang
Choong Heup Koh
Rodney D. Knutson
Dr. George O.G. Lof
Joseph Rosenberg
Roland Pulver
Archie Nesbit
John A. Healey
C. Frank Agar
Pierre B. Lebel
Dr. Charles E. Michener
Michael A. Carten
Peter M. Cain
Alan C. Savage
Anthony W. Sessions

Collin K. Campbell
Harry P. Sutherland
Ralph Barnard
Eugene C. Pendery
Barry L. Tuteur
Les West
Zarko T. Nikic
Andre H. Deepwell
Janice L. Gray
Catherine McCoach
Dawn L. Campbell
Nancy Glaister
Mary T. Zigler
Jeff Welborn
Karl-Ernst Kegel
Nikmet Akin
Paul Adamak
Clement E. McKeon
Maria C. Ray
Robert L. Fuchs
Evan L. Wasoff

Wyoming Fuel Company
Crow Butte Land Company
Ferret Exploration Company of Nebraska, Inc.
Ferret Exploration Company, Inc.
First Exploration Company
First Holding Company
Geomex Minerals, Inc.
E&B Mines
E&B Mines Ltd.
Uranerz U.S.A., Inc.
Korea Electric Power Company
Imperial Metals Corporation
Sedex Securities Sixth Partnership, Ltd.
Sedex Securities Seventh Partnership, Ltd.
Sedex Securities Ninth Partnership, Ltd.
Sedimex Mineralexplorations GmbH
Novis Investitions GmbH
Sedimex Partnerships
Sedex Securities Corporation
Geomex Development Sixth Partnership
Geomex Development Seventh Partnership
Geomex Partnerships
Crow Butte Joint Venture Partnership

INTERROGATORY 22: Identify and describe in detail and any all documents, not previously identified, which relate to your answers to the above Interrogatories, including but not limited to: articles of incorporation, amendments to articles of incorporation, resolutions, agreements, contracts, licenses, annual reports to shareholders, information circulars, press releases, minutes, correspondence, tax reports and returns, audits, financial statements, statements, notices, books of

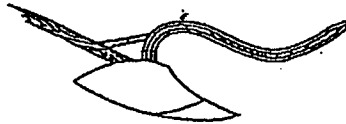
account, proposals, plans, leases, deeds, assignments,
transfers, stock certificates, registrations, and subscriptions.

WESTERN NEBRASKA RESOURCES COUNCIL, INC.,

BY: Andrew B. Reid
Andrew B. Reid, Its Attorney (#17022)

P.O. Box 876
Chadron, Nebraska 69337
Telephone: (308) 432-4259

BROKEN PLOW



LAW OFFICE

July 22, 1989

Steven J. Moeller
Assistant Attorney General
Department of Justice
State Capitol Building
Lincoln, Nebraska 68509

re: Crow Butte Project

Dear Mr. Moeller:

Please find enclosed an exhibit which I omitted by mistake from my letter to you of July 20, 1989. You will note that "K. Peter Geib" is listed as one of three directors of First Holding Company. Mr. Fanyo admits at page 6 of his letter of June 26, 1989, that Mr. Geib is a West German citizen and is a member of the board of Ferret Exploration Company of Nebraska. Note that the First Holding Company filing also gives the address in West Germany, care of a "NOVIS" company. On the latest annual filing for FEN, Mr. Geib's address is listed at that of Ferret Exploration Company, which is the same address and room number as First Holding Company, but a different room number from FEN. We believe that Ferret Exploration Company, First Exploration Company, and First Holding Company are all owned by the same stockholders and that those stockholders may include Uranerzbergbau or a related corporation which Mr. Geib represents. Finally, in May 2, 1989, DUNS printout enclosed as an exhibit to our letter of May 8, 1989, on page 3 you will find that Mr. Geib is listed as a director of Imperial Metals Corporation, the Canadian corporation which owns Geomex Minerals, Inc. and which appears to hold an additional 18.7% in FEN. In his letter, Mr. Fanyo discloses that Geomex Minerals, Inc. holds a 28.5% interest in FEN and First Holding Company holds an 8.196% interest in FEN.

The second of the three directors of First Holding Company is a "Brad Hamilton". Mr. Hamilton is also listed as the corporate vice president of Geomex Minerals, Inc. in the most recent annual report from Delaware enclosed with my letter of July 20, 1989, and in the Geomex filing is given the same street and room address as Ferret Exploration Company, but care of a "Sedex Securities Corporation" at that address.

This exhibit read in light of the other exhibits already furnished to you clearly indicates that Ferret Exploration Company, First Holding Company, and First Exploration Company, which I

understand are "privately" held, each have a significant Canadian and perhaps West German ownership interest and control - if not being wholly-owned and controlled by aliens. This would, of course, increase the alien ownership and control of FEN and Crow Butte Land Company, and of the joint venture partnership, discussed in our previous correspondence. It is our belief that Crow Butte project, once the interests are traced to their source, is ultimately without any American ownership or control.

Sincerely,

Andrew B. Reid
Andrew B. Reid, Attorney
for Western Nebraska
Resources Council

enclosure

COLORADO CORPORATE REPORT

YEAR OF 1988

DP
871640054

For Office Use Only.

PLEASE TYPE OR PRINT CLEARLY IN INK AND DEADLINE IS MAY 15, 1989

Enter Corporate Name, Registered Agent & Registered Office:

FIRST HOLDING COMPANY

Paul L. Ruttum
31 E. 17th Ave., #400
Denver, CO 80203

NOTICE TO ADDRESSEE

SUSP 9/30/87
1987 Report \$43.00
1989 Report 25.00
Reins. Fee 50.00
TOTAL \$118.00 -10-29 11:36
Fee applicable through 5/1/89 \$118.00
871640054

IMPORTANT: PLEASE READ INSTRUCTIONS ON REVERSE SIDE. DO NOT CHANGE OR OMIT INFORMATION. EACH ITEM MUST BE COMPLETED.

AJH

- 1 STATE or FOREIGN COUNTRY of Incorporation Colorado
- 2 Principal place of business of office in Colorado (if none, state NONE) 1800 Glenarm Place #300, Denver, CO 80202 JA
(Street Address, City, Zip Code)
- 3 If incorporated outside State of Colorado, give complete address of principal office in state or country of incorporation (if none, state NONE)
N/A
- 4 The Corporation is organized for Any Legal and Lawful Purpose Pursuant to the Colorado Corporation Code. A more specific purpose may be stated.

ALL BUSINESS OR PROFIT CORPORATIONS MUST COMPLETE THIS SECTION

Headings (C), (D) and (E) in this section must be completed. Leaving any of these blank headings shall not be cause for rejection.

5 Name of Class, Par Value and Issue: (on date of report or immediately prior thereto)

A Class	B Par Value	C Par Value/Issue	D Number Authorized	E Number Issued
Common	None	\$.001	50,000,000	16,543,500

- 6 NAMES AND ADDRESSES of OFFICERS
Colorado corporations must list at least two different individuals, the offices of President and Secretary may not be held by the same individual.
Name Address, City, State, Zip Code
- President: W. Gene Webb 1800 Glenarm Pl. #300, Denver, Colorado 80202
Vice-President: Brad Hamilton 1800 Glenarm Pl. #300, Denver, Colorado 80202
Secretary: Brad Hamilton 1800 Glenarm Pl. #300, Denver, Colorado 80202
Asst. Secretary: None
Treasurer: None

- 7 NAMES AND ADDRESSES of DIRECTORS
Colorado Profit Corporations must list at least three, except that there need not be as many directors as there are shareholders in the corporation. Colorado Nonprofit Corporations must list at least one.
Name Address, City, State, Zip Code
- Director: W. Gene Webb c/o Ferret Exploration 1800 Glenarm Pl. #300 Denver, CO 80202
Director: K. Peter Ceib c/o NOVIS GmbH Rosbertr. 9 6000 Frankfurt-Main 1 Fed. Rep. of Germany
Director: Brad Hamilton c/o Ferret Exploration 1800 Glenarm Pl. #300 Denver, CO 80202

8 Colorado law requires the Corporate Report to be signed by ONLY the Corporation's President, a Vice-President, Secretary, or Treasurer. For a FOREIGN corporation without such officers, an authorized agent may sign.

Under penalties prescribed in Title 18, C.R.S. 1973 I declare that this report has been prepared by me and to the best of my knowledge and belief is true, correct and complete.

DATE: 10/29/88

FOR RETURN MAIL: SEE INSTRUCTIONS. Send ONE copy of this form with payment to:
DEPARTMENT OF STATE CORPORATE REPORT SECTION P.O. BOX 1547 DENVER, CO 80217-5047

DEPARTMENT OF JUSTICE

STATE OF NEBRASKA

TELEPHONE 402/471-2682

STATE CAPITOL

LINCOLN, NEBRASKA 68509

ROBERT M. SPIRE
Attorney General
A. EUGENE CRUMP
Deputy Attorney General

January 29, 1990

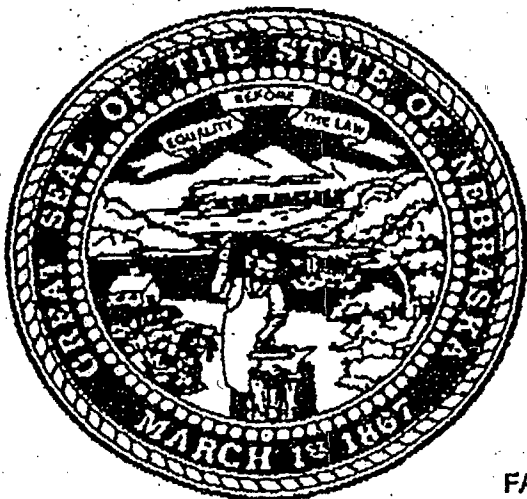
Mr. Dennis Grams, Director
Department of Environmental Control
P.O. Box 98922
Lincoln, NE 68509-8922

Re: Ferret Exploration of Nebraska, Inc.
Crow Butte Land Co., Inc.

Dear Dennis:

We have concluded that the above two corporations have come into compliance with Neb.Rev.Stat. §§ 76-400 through 76-415 (Reissue 1986).

Please resume appropriate action in regard to the permits before you by these corporations. Thank you.



NEBRASKA DEPARTMENT OF JUSTICE
Office of the Attorney General
Robert M. Spire, Attorney General

2115 State Capitol
Lincoln, Nebraska 68509-4906
Ph:402-471-2682

FACSIMILE TRANSMISSION

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STATE OF NEBRASKA
Department of Justice



COPY

LINCOLN, NEBRASKA 68509 • TEL (402) 471-2682
ROBERT M. SPIRE
Attorney General

January 29, 1990

Contact: A. Eugene Crump or
Steven J. Moeller

P R E S S R E L E A S E

The Nebraska Attorney General's Office has concluded that Ferret Exploration Company of Nebraska, Inc. (FEN), and Crow Butte Land Company, Inc., are no longer in violation of Neb.Rev.Stat. §§ 76-400 through 76-415 (Reissue 1986) because of recent changes in the Board of Directors and stockholders of the corporations.

Currently, FEN has a majority of the Board of Directors who are American citizens, and a majority of stock is owned by Ferret Exploration Company, Inc., an American corporation.

With FEN currently in compliance with Nebraska law, the Nebraska Attorney General's Office believes that forfeiture proceedings concerning the leases, forfeiture of the charter, and dissolution of the corporations and delay in the permitting process for uranium mining in the Chadron area are no longer necessary. The Attorney General will contact and inform the Dawes County Attorney, Secretary of State, and Department of Environmental Control of this decision.

ROBERT M. SPIRE
Attorney General

BROKEN PLOW



LAW OFFICE

August 11, 1989

Steven J. Moeller
Assistant Attorney General
Department of Justice
State Capitol Building
Lincoln, Nebraska 68509

re: Crow Butte Project Joint Venture

Dear Mr. Moeller:

Since my last correspondence with you I have received some additional material regarding the alien ownership and involvement in the Crow Butte Project. As the enclosed copies of recent Dunn's corporate reports indicate, Mr. Fanyo's assertions that the project is 90% domestic owned through Geomex, Uranerz, and Ferret Exploration Company is quite misleading.

I previously stated that it appeared that the parent company of Geomex, Imperial Metals Corp. of Canada, had a direct participatory control, if not ownership, in the project and the joint venture which Mr. Fanyo and his clients to this day have failed to and refused to admit or disclose. The enclosed Dunn's materials describe a recent stock offering by Imperial Metals specifically for the purpose of financing "its share of the development of Crow Butte in situ leach uranium project (Nebraska) to commercial production." May 5, 1989, Records at page 8258, and June 19, 1989, Records at page 7610.

Please note also that Mr. Peter Geib, who is a member of the Board of Directors of Ferret Exploration Company of Nebraska, is described as a "Vice-Chairman" of the Board of Directors of Imperial Metals and as personally holding about 10% of the Imperial Metals stock which he is increasing to about 13% through the latest offering. July 12, 1989, Records at page 7300. You will recall that we previously demonstrated that Imperial Metals may hold at least 18.7% of the stock of Ferret Exploration Company and that Mr. Geib is a resident of West Germany who may be connected to the West Germany parent, Uranerzbergbau.

We are again distressed that these disclosures have not come from the alien entities involved or their agents or attorneys, but instead are culled from the limited information available to the public on these matters. Clearly, these disclosures indicate that only the tip of the iceberg of alien participation, ownership and control may have seen the light of day. We again appeal to you

to use the authority and responsibilities of your office to conduct a thorough examination of what lies below the surface and out of public view.

In a related matter, from Mr. Fanyo's letter of June 26, 1989, it appears that he has been supplied with copies of all of my correspondence with your office as well as that from third parties. On behalf of WNRC, I would request that I be supplied with copies of any correspondence of Mr. Fanyo or his clients, other than the letter of June 26, and that from any third parties, if any, so that we may have an opportunity to make further response or supply any additional information that we may have which would assist the investigation. This would, of course, include memoranda from the Nebraska Department of Environmental Control and other government agencies and consultants.

Please let us know if we may be of any further assistance.

Sincerely,

15/

Andrew B. Reid
Attorney for Western Nebraska
Resources Council

cc: Sen. Sandra Scofield
NDEC
USEPA
USNRC
WNRC

Time accts.....	588,400	415,400
Svgs. accts.....	3,900	3,300
Total deposits.....	615,700	439,700
Commercial paper, bank & oth. bor- rowings.....	3,793,500	2,918,300
Accts. pay. & accts. ins. policy & claim res.....	517,700	456,500
2,574,800	1,898,400	
Depr. inc. taxes.....	242,700	181,000
Senior & Senior au- bord. debt.....	5,120,100	4,989,500
Less: Unamor. disc. dr18,000		dr17,400
†Pfd. stk. n.p. aCom. stk. & paid-in cap.....	150,000	150,000
323,400	298,400	
Unrealiz. gain on mktbls. equity secs Fgn. currency trans. adj.....	dr15,000	dr22,400
dr85,800	dr83,200	
Retain. earns.....	881,100	762,900
Total liab.....	14,112,200	11,771,700
†Shs.: 300. aShs.: 1,000. bReclassified.		

HOWARD SAVINGS BANK		
Interim Consol. Earnings- June '89- Thou. \$		
3 Mos. to June 30:	1989	1988
Net interest income	34,756	30,895
Prov. for loan losses	9,011	2,829
Net interest inc. aff. prov. for loan losses	25,745	28,066
Oth. oper. inc.	11,784	12,231
Oth. oper. exps.	30,438	28,920
Net bef. tax	7,093	13,377
Income tax	2,470	5,067
Net income	4,623	8,310
*Sh. earns.	\$0.32	\$0.58
6 Mos. to June 30:		
Net interest income	72,678	59,481
Prov. for loan losses	12,049	4,893
Net interest inc. aff. prov. for loan losses	60,629	54,588
Oth. oper. inc.	19,897	22,006
Oth. oper. exps.	60,182	52,484
Net bef. tax	20,184	24,080
Income tax	7,021	8,882
Net income	13,143	15,098
*Sh. earns.	\$0.91	\$1.05
*Avge. shs.:	1989	1988
3 mos.	14,433,622	14,432,969
6 mos.	14,424,862	14,438,178
†Reclassified.		

HYDE ATHLETIC INDUSTRIES INC.			
Annual Report- Consol. Inc. Acct. Yrs. End Dec. 31: Thou. \$			
	1988	1987	1986
Net sales	55,259	67,870	62,740
Cost & exps	55,302	62,732	55,197
Oper. income	443	5,238	7,543
Other income:			
net	787	726	377
Total income	754	5,964	7,920
Exps. related to proposed merger	101		
Depr. & amor.	823	780	818
Interest exp.	1,581	1,712	1,991
Income tax	cr1,011	1,287	1,782
Net income	dr740	2,205	3,331
*Sh. earns.	dr\$0.27	\$0.77	\$1.17
dDeficit.			
*Avge. shs.:	1988—2,765,298; 1987—2,345,272; 1986—2,845,098.		

Consol. Bal. Sheet, Dec. 31: Thou. \$		
Assets—		
Cash.....	1988	1987
3,863		1,533
Receivables, net.....	12,253	17,899
Inventories.....	19,085	21,855
Depr. inc. tax.....	822	595
Prepayments, etc.....	1,620	1,199
Tot. curr. assets.....	37,653	42,881
Cash val. life ins.....	5	6
*Net property.....	7,641	7,799
Deposits.....	413	3
Invstmt. in ltd. part- nership.....	754	753
Depr. chgs.	306	348
Total assets.....	46,272	51,890
Liabilities—		
Notes pay.....		13,601
Curr. debt mat.....	1,201	1,694
Accts. pay.....	1,579	1,013

Drafts & accepta. pay.....	29	1,350
Tot. curr. liab.....	5,194	19,977
Long term debt.....	13,822	3,758
Depr. inc. tax.....	844	664
†Com. stk. p. \$0.333.....	975	975
aTrans. stk.....	dr974	dr827
Cap. surplus.....	8,630	8,622
Retain. earns.....	17,781	18,521
Total liab.....	46,272	51,890
Net wkg. cap.....	32,459	23,004
Equty per sh.....	\$9.56	\$9.77
*Depr. res.....	3,374	2,692
†Shs.....	2,925,630	2,925,630
aShs.....	183,683	111,563

IWC RESOURCES CORP.			
Annual Report- Consol. Inc. Acct. Yrs. End Dec. 31: Thou. \$			
	1988	1987	1986
Tot. oper. revs.....	52,377	49,753	46,869
Oper. & adm. exps.....	21,684	19,849	18,362
Maintenance.....	2,320	2,371	2,602
Taxes, oth. than inc.....	5,927	6,084	7,720
Oper. income.....	22,448	21,649	20,985
Gain on sale of a business.....		682	
Gain on termination of pension plan.....		3,369	
Other income, net.....	771	1,828	308
Total income.....	23,217	27,508	21,293
Depreciation.....	3,553	3,372	3,215
Interest exp.....	4,825	6,124	5,276
Pfd. divs. of sub- sidi.....	203	203	203
Fed. inc. taxes.....	6,667	9,721	5,680
Net income.....	7,959	9,088	6,919
Cash divs.....	7,113	7,071	6,579
Bal. aff. divs.....	856	2,017	340
*Sh. earns.....	\$1.54	\$1.77	\$1.43
*Avge. shs.:	1988—5,158,000; 1987—5,135,000; 1986—4,847,000.		

Consol. Bal. Sheet Dec. 31: Thou. \$.		
Assets—		
Cash & equivs.....	1,003	3,728
Accts. rec., net.....	3,519	3,309
Maters. & supplies.....	1,451	1,674
Oth. curr. assets.....	327	1,137
Tot. curr. assets.....	6,300	9,848
*Net util. plant.....	178,451	187,819
Other prop.....	6,723	7,763
Depr. chgs. & oth. assets.....	3,208	3,316
Total assets.....	194,680	188,744
Liabilities—		
Notes pay.....	2,000	2,400
Curr. debt mat.....	6,308	2,400
Accts. pay. & accts. Depr. pay.....	8,182	8,477
Income taxes.....	1,109	150
*Customer depos.....	805	750
Tot. curr. liab.....	18,384	13,616
Long term debt.....	46,875	51,875
Notes pay-bank.....		1,205
Customer adva. for constr.....	31,495	28,831
Pfd. stk. of subald.....	4,505	4,505
Contributions in aid of constr.....	18,786	17,380
Depr. fed. inc. taxes.....	14,810	14,789
Invstmt. tax credits.....	5,509	6,603
Depr. & oth. credits.....	4,471	4,959
†Com. stk. n.p.....	30,854	28,846
aTrans. stk.....	dr1,128	dr1,128
Retain. same.....	20,117	19,261
Total liab.....	194,680	188,744
Net wkg. cap.....	dr12,084	dr3,770
Equty per sh.....	\$13.24	\$12.75
dDeficit.		
*Depr. res.....	47,804	44,302
†Shs.....	5,237,971	5,182,612
aShs.....	55,988	55,988

IMMUNE RESPONSE INC.			
Annual Report- Inc. Acct. Yrs. End. Dec. 31: Thou. \$			
	1988	1987	1986
Interest inc.....	16		
Salaries.....	42	11	
Rent.....	19	11	
Gen. & adm.			

Interest exp.....	13	10	8
Net income.....	d103	d42	d18
*Sh. earns.....	Nll	Nll	Nll
dDeficit.			
*Avge. shs.:	1986—256,709,999; 1987—210,000,000; 1988—210,000,000; adjd. for Sept. '88 100-for-1 stk. split.		
Note: At Dec. 31 '88, Co. had avail. net oper. loss carryfws. of apx. \$230,000.			
Bal. Sheet Dec. 31: Thou. \$			
Assets—			
Cash & equivs.....	1988	a1987	
574		4	
Certif. of deposit.....	40		
Prepayments, etc.....	4		2
Oth. curr. assets.....	1		
Tot. curr. assets.....	619		6
Net property.....	58		
Depr. public offering costs.....			45
Total assets.....	677		51
Liabilities—			
Notes pay.....	50		98
Accts. pay.....	12		18
Accruals.....			1
Int. pay.....			7
Tot. curr. liab.....	62		122
†Com. stk. p. \$0,0001.....	31		21
Paid-in cap.....	821		43
Retain. earns.....	d237		d135
Total liab.....	877		51
Net wkg. cap.....	557		d116
dDeficit.			
†Shs.:	308,650,000	210,000,000	
aReflects Sept. '88 100-for-1 stk. split.			

IMPERIAL CORP. OF AMERICA
 Certain Restructuring Planned- July 8, 1989, Co. announced that it would eliminate its investment banking. Further, Co. was planning to sell its approximately \$400,000,000 automobile lease portfolio; such disposal was expected to result in an "accounting" loss of approximately \$10,000,000 or more. Co. also was planning to sell (at a profit) its \$275,000,000 bankcard portfolio.

Expects 1989 Second-Quarter Net Loss- In addition, Co. was expecting to report a net loss for the three months ended on June 30. For like period of 1988 Co. had reported net income of \$11,310,000.

Co. added that provisions for losses on consumer loans for 1989's second quarter could exceed \$22,000,000, of which approximately \$12,000,000 would be related to automobile loans formerly serviced by Grand Wislhire Finance Corp., an unaffiliated concern that filed for protection under bankruptcy laws in 1988. As part of the overall consumer loan loss provision, an additional \$4,000,000 in reserves would be set aside for mobile home loans.

IMPERIAL METALS CORP.
 Vice-Chairman Increases Holdings- July 10, 1989, press reports from Vancouver, B.C., stated that Peter Geib, Vice-Chrm., had exercised all of his rights and additional subscription privileges pursuant to Co.'s previously announced rights offering and, as a result, had increased his holdings in Co. to 12.8% from 9.9%.
 Reports added that Mr. Geib, who owns 2,730,889 Com. shares of Co., had no intention of "substantially" increasing further his shareholdings in Co. at present time.

INFRASONICS INC.			
Annual Report- Consol. Inc. Acct. Yrs. End. June 30: Thou. \$			
	1989	1988	
Revenues.....	5,400	4,201	
Net income.....	d154	d789	
*Sh. earns.....	d\$0.01	d\$0.06	
dDeficit.			
*As reported.			

INTEGRATED CORP.
 Restates 1989 First-Quarter Results- June 6, 1989, press reports from Winston-Salem, N.C., stated that, to reflect correction of an error, Co. had restated its earnings statement for first quarter of current year to show net income of \$3,700,000, or \$0.09 a share. Previously, Co. had reported net income for the period of \$4,869,000, or \$0.13 a share.

INTEGRATED RESOURCES INC.
 Unit's Letter of Intent to Acquire Aequiltron Medical Inc. Terminated- See that company (7-12-89).

Net income	288,000	213,000
*ADR earns	\$2.85	\$2.37
*As reported (Each ADR represents 4 Ord. sh.)		
†Converted at the rate of 1 pound	\$1.89	
1989 & \$1.88 in 1988.		

IMPERIAL METALS CORP.
 Rights Offering—May 3, 1989, Co. announced that it would make a rights offering, pursuant to which its shareholders of record May 15, 1989, would be issued rights to purchase an aggregate of 4,278,000 Com. shares. Rights would be distributed on the basis of one right for each Com. share held as of the record date. Each four rights would entitle holder thereof to purchase one Com. share for \$1.15. Rights would expire at 4 p.m. (local time in Toronto, Montreal and Vancouver) on June 7, 1989.

Co. stated that such rights offering would be made to its stockholders who were residents of British Columbia, Alberta, Ontario, and Quebec only.

Subscription certificates for shareholders resident in excluded provinces or in the U.S. would be issued to Central Guaranty Trust Co., registrar, which would attempt to sell such rights prior to expiry of the offer. Net proceeds from the sale of such rights would be distributed pro rata to Co.'s shareholders.

Eligible shareholders who exercise all rights held by them would be entitled to subscribe for additional shares not otherwise purchased pursuant to the rights offering. Co. stated that its principal shareholders were intending to exercise their rights in full and to purchase as many additional shares as possible pursuant to the oversubscription privilege.

Co. further stated that such rights offering, if fully subscribed, was expected to result in net proceeds of \$4,850,000, which Co. was planning to use to finance its share of the 1989 \$1,500,000 development program at Mount Polly copper/gold deposit (B.C.) and to finance its share of the development of Crow Butte in situ leach uranium project (Nebraska) to commercial production. Remainder of proceeds from the rights offering would be used for working capital.

INFORMATION RESOURCES INC.

Seeks To Dispose of Three Units—Apr. 27, 1989, Co. announced that it had been seeking purchasers for its ASSESSOR business, Custom Projects Group and Data Group, Inc., subsidiary. Together, those units had 1988 revenues of about \$11,000,000.

Parent's earnings statement for current year's first quarter included a reserve of \$1,200,000 for sale or closing of Data Group. However, ASSESSOR and Custom Projects, expressions of interest in the acquisition of which had been received, were expected to be sold for more than their carrying costs.

INSITUFORM GULF SOUTH INC.

Interim Consol. Earnings: Apr. '89—Thou. \$		
13 Wks. to:	Apr. '89	Apr. '88
Revenues	3,512	4,018
Net income	237	295
*Sh. earns	\$0.08	\$0.10
40 Wks. to:		
Revenues	8,914	12,103
Net income	179	715
*Sh. earns	\$0.08	\$0.24
*Avge. shs.:	1989	1988
13 wks.	2,980,000	2,980,000
40 wks.	2,980,000	2,991,071

INTERLEAF INC.

Annual Earnings—Consol. Inc. Acct. Yrs. End.		
Mar. 31: Thou. \$		
	1989	1988
Revenues	82,780	58,389
Inc. bef. extraord. item	863	5,589
Extraord. item		1,411
Net income	863	6,980
*Sh. earns:		
Bef. extraord. item	\$0.07	\$0.47
Extraord. item		cr0.12
Net income	0.07	0.59
*As reported.		
†Fr. tax loss carrywd.		

INTL. INCOME PROPERTY INC.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	1988
Net income	82	d114

*Sh. earns	\$0.01	d\$0.01
dDeficit.		
*As reported.		

INTL. MICROELECTRONIC PRODUCTS INC.

Annual Earnings—Consol. Inc. Acct. Yrs. End.		
Thou. \$		
	Mar. 26'89	†Mar. 27'88
Net revenues	52,500	48,900
Net income	189	5,700
*Sh. earns	\$0.01	\$0.23
*As reported.		
†Reclassified.		

INTL. RECTIFIER CORP.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	1988
Net sales	48,228	48,313
Net bef. tax	d3,413	†d1,485
Income tax	76	388
Net income	d3,489	d1,873
*Sh. earns	d\$0.31	d\$0.17
9 Mos. to Mar. 31:		
Net sales	140,441	123,938
Net bef. tax	d11,658	†d10,818
Income tax	317	479
Net income	d11,975	d11,297
*Sh. earns	d\$1.07	d\$1.02
dDeficit.		
*Avge. com. & com. equiv. shs.:	1988	1987
3 mos.	11,208,000	11,098,000
9 mos.	11,175,000	11,084,000
†Inc. gains of \$400,000 for 3 mos. & \$4,200,000 for 9 mos. on sale of certain assets.		
aRestated to reflect change in acctg. for income taxes.		

INTL. TELECHARGE INC.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	1988
Revenues	61,938	32,788
Net income	504	2,728
*Sh. earns	\$0.03	\$0.15
*As reported.		

INTL. YOGURT CO.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	†1988
Revenues	879	503
Net income	34	d168
*Sh. earns	\$0.02	d\$0.10
dDeficit.		
*As reported.		
†Restated.		

INTERPHARM LABORATORIES LTD.

Annual Earnings—Consol. Inc. Acct. Yrs. End.		
Dec. 31: Thou. \$		
	1988	1987
Net sales	18,092	9,188
Net income	505	d1,251
*Sh. earns	\$0.08	d\$0.25
dDeficit.		
*Avge. shs.: 1989—8,237,385; 1988—5,043,980.		

IPSCO INC.

Annual Report—Consol. Inc. Acct. Yrs. End.		
Dec. 31: Thou. Can. \$		
	1988	1987
Net sales	430,809	298,521
Cost & exps	358,580	284,388
Oper. income	74,229	34,133
Depreciation	14,255	13,983
Interest exp	7,210	5,887
Income tax	22,249	5,939
Inc. bef. extraord. item	30,615	8,324
Extraord. item	†d1,677	
Net income	28,938	8,324
Dividends	5,901	3,289
Bal. all. divids	22,937	5,035
*Sh. earns:		
Bef. extraord. item	\$2.17	\$0.80
Extraord. item	dr0.11	
Net income	2.08	0.60
dDeficit.		
*As reported on avge. shs.		
†Fr. abandonment of iron ore property less income tax benefit.		
aReclassified.		
Consol. Bal. Sheet Dec. 31: Thou. Can. \$		
Assets—	1988	1987
Cash	43,433	39,528
Accts. rec.	61,888	66,402
Inventories	104,218	75,923

Prepayments, etc	1,385	1,132
Tot. curr. assets	210,700	182,983
*Net property	238,160	207,121
Debt issue exp	948	753
Other assets	2,290	2,290
Debt. pension exp		488
Total assets	452,098	393,613
Liabilities—		
Curr. debt mat.		1,333
Accts. pay. & accts.	69,980	51,795
Tot. curr. liab.	69,980	53,128
Long term debt	78,612	81,298
Debt. gain on sale-leaseback	18,558	19,584
Debt. pension oblig.	1,802	
Minority int.	1,807	
Debt. inc. tax	48,444	50,468
†Com. stk. n.p.	73,107	70,108
Retain. earnings	181,988	139,049
Total liab.	452,098	393,613
Net wkg. cap.	140,720	129,855
*Debt. res	104,658	91,180
*Shs.	14,181,724	13,097,199

IRVING BANK CORP.

Interest Rate on Floating Rate Notes, 2004—Co. announced that the interest rate on its Floating Rate Notes, due 2004, for the period May 1 through Oct. 31, 1989, would be 9.90% per annum, payable November 1.

JEFFERSON-PILOT CORP.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	†1988
Inc. bef. cap. gains	28,138	24,846
Cap. gains	cr8,008	dr234
Net income	34,142	24,612
*Sh. earns:		
Bef. cap. gains	\$0.69	\$0.82
Cap. gains	cr0.21	dr0.01
Net income	0.90	\$0.63
*Avge. shs. 1989—38,098,561; 1988—39,202,599.		
†Restated to reflect adoption of FASB #97 "Acctg. for Certain Annuity & Life Ins. Contr."		

KEY TRONIC CORP.

Interim Consol. Earnings: Apr. '89—Thou. \$		
3 Mos. to:	Apr. '89	Apr. '88
Net sales	45,985	45,015
Net income	1,383	d1,281
*Sh. earns	\$0.15	d\$0.15
9 Mos.:		
Net sales	109,077	103,030
Net income	1,793	105
*Sh. earns	\$0.21	\$0.01
dDeficit.		
*Avge. shs.:	1989	1988
3 mos.	8,430,000	8,489,000
9 mos.	8,430,000	8,641,000
Backlog: Apr. 8 '89—\$44,600,000.		

KEYSTONE INTL. INC.

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	1988
Net sales	93,408	80,084
Net bef. taxes	13,971	11,811
Income taxes	5,449	4,528
Net income	8,522	7,083
*Sh. earns	50.25	50.21
*Avge. com. & com. equiv. shs.: 1989—33,393,000; 1988—33,211,000; adjd. for May '89 5-for-4 stk. split.		
Backlog: Mar. 31 '89—\$75,100,000.		

KINDER-CARE INC. (DEL.)

Interim Consol. Earnings: Mar. '89—Thou. \$		
3 Mos. to Mar. 31:	1989	1988
Revenues	271,736	164,314
Net bef. tax	881	18,778
Income tax	223	5,258
Net income	458	13,520
*Sh. earns	\$0.01	\$0.28
*Avge. shs.: 1989—54,907,000; 1988—52,433,000.		

KOGER PROPERTIES INC.

Formation of ESOP Authorized—Apr. 27, 1989, Co. announced that its board of directors had authorized the formation of an Employee Stock Ownership Plan (ESOP) which, initially, would hold 2,000,000 of Co.'s Com. shares.

KOPPERS CO. INC.

Name Changed to Beazer Materials & Services Inc.—See that company (5-5-89).

KYSOR INDUSTRIAL CORP.

Initial Dividend on ESOP-Held Series A Convertible Preferred—Apr. 28, 1989, Co. announced that its directors had declared a dividend on the

Co. at \$3.75 a share, for aggregate proceeds of \$4,000,000.

Reports added that pursuant to Co.'s rights offering, Claridge had agreed to exercise all of its rights and to subscribe for additional shares of Co. up to a total of \$4,000,000, for which it would receive a fee of 4%.

A portion of the proceeds from the rights offering and private placement would be used to complete construction and begin production in November at Co.'s Oronorte Gold Mine in Colombia, which mine was expected to produce 24,000 ounces of gold in 1990 at an average operating cash cost of about \$70 per ounce. Remainder of proceeds would be used to complete a mine feasibility study by October of current year at Co.'s Hecio property in Costa Rica, and to complete during this summer a close-spaced drill program and further bulk testing of Co.'s Millie Mack property in British Columbia.

GULF STATES UTILITIES CO.

Dividend Rates on Adjustable Rate Preferred, Series A and B— Co. announced that the dividend rates on its Adj. Rate Cum. Pfd., Ser. A and B, for the quarterly period beginning June 15, 1989, would be 9.40% and 9.45% per annum, respectively. Dividends of \$2.35 and \$2.3625 per respective share or \$1.18125 per Depositary Receipt would be payable September 15, subject to directorate action.

Co. announced on June 15, 1989, that it had not declared and did not pay dividends that were due on that date, and that "unless the financial condition of Co. improves," it "may be unable to declare and pay the dividend" first mentioned.

HAMPTON INDUSTRIES INC.

Stock Dividend— Stock of 10% declared on Com., payable July 28, to holders of record June 23, 1989.

HATHAWAY CORP.

Converts Employee Stock Bonus Plan Into Leveraged ESOP; Approves Stock Buyback Program— Eugene Prince, Chm. and Chief Exec. Officer, announced on June 2, 1989, that Co. had converted its employee stock bonus plan into a leveraged Employee Stock Option Plan (ESOP). Co. had agreed to loan up to \$500,000 to the ESOP to allow it immediately to acquire newly issued stock directly from Co. ESOP would repay the loan as and when Co. were to make contributions to the ESOP.

Also, Co. announced that a stock repurchase program had been approved whereby it would acquire Com. from time to time up to July 31, 1990, using up to \$1,000,000 for purchases from the public and employees. Such stock would be retained in treasury.

Directors Declare Distribution of Preferred Purchase Rights— June 18, 1989, Co. announced that directors had declared the attachment of one Pfd. Stock Purchase Right to each Com. share outstanding on and after June 28, 1989.

Rights would become exercisable under certain circumstances, generally if an individual or a group acquired a specified interest in Co. and would allow holder thereof to purchase stock in either Co. or an acquiring concern.

Rights would expire on June 25, 1999 and could be redeemed by Co. at \$0.001 per Right under certain conditions.

Description of Rights will appear in Standard Corporation Records upon revision of Co.'s basic description.

HEMODYNAMICS INC.

Annual Report— Consol. Inc. Acct. Yrs. End. Dec. 31: Thou. \$L 1988 1987 b1986 Sales & license fees... 8,921 4,855 1,298 Cost & expa... 9,549 3,988 1,330 Oper. income... 6828 867 638 Gain fr. sale of Medirace P/c Invmt... 1,711 1,320 0 Oth. inc. net... 238 81 8 Total income... 1,318 2,268 30 Equity in loss of Medirace P/c... 86 202 0 Depreciation... 80 9 3 Amort. of Intangibles... 238 155 0 Foreign exchange losses... cr48 11 72

Interest exp 56 9 Income tax 275 859 Minority int. cr373 Inc. bef. extraord. item 989 1,023 Extraord. item acr192 Net income 989 1,215 *Sh. earns: Bef. extraord. item \$0.30 \$0.49 Extraord. item cr0.10 Net income 10.30 0.59 d0.18 dDeficit: *Ave. shs. 1988—3,076,282; 1987—1,950,927; 1986—930,000; adjd. for Aug. '88 3-for-2 stk. split. ↑Co. reported fully diluted sh. earns of \$0.27 after tax-loss carryover. *Tax loss carryover. Consol. Bal. Sheet Dec. 31: Thou. \$ Assets: 1988 1987 Cash & equivs 2,801 448 Notes rec 320 288 Accts. rec 2,465 990 Rec. fr. affil. supplier 352 Inventory 2,322 652 Advance to officer altkhd. 50 14 Prepaid exp 328 14 Refundable inc. taxes 81 82 Defr. inc. taxes 82 82 Tot. curr. assets 8,407 2,870 *Net property 700 365 Notes rec 187 438 Deposits & oth. assets 125 35 Advances to officer-stockholders 343 297 Intangible assets 3,401 2,900 Defr. registration costs 47 161 Total assets 13,210 7,054 Liabilities: Notes pay 351 78 Due to Myo-Tech 193 134 Customer deposits 6 6 Accts. pay. net 687 447 Income taxes 384 376 Accruals 95 95 Defr. inc. taxes 1,231 1,439 Defr. taxes 124 58 Other liab 17 907 Minority Int. 3,584 Redeemable pfd. stk 459 Convertible pfd. stk. p. \$0.01 1 Ser. 1 pref. stk. p. \$0.01 a a bCom. stk. p. \$0.01 38 12 cTreas. stk. dr39 Paid-in cap 6,605 3,434 Retain. earns 1,672 745 Total liab 13,210 7,054 Net wkg. cap 7,178 1,431 Equity per sh \$1.34 \$0.68 dDeficit: *Depr. res 92 12 ↑Represents \$10 with 1,000 shs. issued & outstanding. aRepresents \$10 with 1,000 shs. issued & outstanding. bShs. 3,608,045 1,263,041 cShs. 8,729 eAdjd. for Aug. '88 3-for-2 stk. split.

HERITAGE ENTERTAINMENT INC.

Acquisition of Landmark Theatre Corp. Ratified; Adjourns Vote on Capital Changes— Shareholders on June 13, 1989, approved a proposal to provide for previously-planned acquisition of Landmark Theatre Corp. through the merger of that concern into a wholly-owned subsidiary of Co. and the conversion of Landmark capital stock outstanding into 1,600,000 of Co.'s Com. shares, \$408,900 in Prom. Notes, and \$2,988,020 in cash. Completion of that acquisition and Co.'s previously-planned acquisition of Seven Gables Corp. through the acquisition of Renaissance Entertainment Inc., which had been contingent upon completion of the Landmark acquisition, was expected on June 21. Co. also adjourned to June 29 a vote on a proposal to provide for an increase in Com. authorized to 25,000,000 shares from 10,000,000, to authorize a class of 5,000,000 Ser. Pfd. shares, and to eliminate all references to Co.'s existing Class A and B Pfd.

Directorate Changes— Upon completion of aforementioned acquisition of Landmark Theatre Corp., Richard D. Wellbrock, Herbert Hurwitz and Edward L. Riessen were planning to resign from Co.'s board and Stephen A. Gilula, Paul S. Richardson and Gary Meyer would be appointed to such board. If acquisition of Seven Gables Corp. is completed, Ronald P. Erickson, Chm. of Renaissance Entertainment, would be elected a director of Co.

Upon completion of such changes, board was expected to reduce the authorized number of directors to 10 from 13.

HERSHEY FOODS CORP.

New Facility Planned for Unit— June 7, 1989, Co. announced that a 130,000-sq.-ft. chocolate processing plant would be built for its Hershey Chocolate U.S.A. unit on a 213 acre site in Derry Township, Pa. The installation, expected to cost more than \$100,000,000, was scheduled for completion in mid-1991. It would have about 60 employees; however, there would be a net reduction in employment at Co.'s main plant.

HUGHES HOMES INC.

Estimates Fiscal 1989 Net Income— June 15, 1989, Gary Hughes, Pres. and Chief Exec. Officer, stated that for year ending on June 30 Co. was expecting to report net income "comparable to" fiscal 1988's \$991,000.

ICG UTILITIES (Ontario) Ltd.

Interim Consol. Earns.: Mar. '89 Thou. \$ (Can.) 3 Mos. to Mar. 31: 1989 1988 Revenues 273,428 249,272 Net bef. tax, etc 51,067 48,864 Income tax 17,040 19,358 Net income 34,027 30,308 *Sh. earns \$1.87 \$1.66 12 Mos. to Mar. 31: Revenues 658,359 629,120 Net bef. tax, etc 59,281 48,997 Income tax 19,037 15,386 Net income 40,224 31,611 *Sh. earns \$2.12 \$1.63 *As reported.

IDEX CORP.

Full Description Pending— Full description of this concern is scheduled to appear in the F-K Volume of Standard Corporation Records during August, 1989.

ILLINOIS TOOL WORKS INC.

Higher Quarterly Dividend— Higher quarterly of \$0.15 declared on Com., payable September 1, to holders of record Aug. 7, 1989. Paid \$0.12 in previous quarters.

IMPERIAL METALS CORP.

Results of Rights Offering— June 15, 1989, press reports from Vancouver, B.C., stated that Co. would issue an aggregate of 4,278,185 Com. shares at \$1.15 each in connection with previously-announced rights offering whereby Co.'s stockholders had been issued one right for each Com. share held of record May 15. Each four such rights, which expired on June 7, had entitled holder thereof to purchase one additional Com. share.

Reports added that a portion of the \$4,850,000 in net proceeds from the rights offering would be used to finance Co.'s share of 1989 program costs at the Mount Polley copper/gold deposit in British Columbia, and its share of production development costs at the Crow Butte in situ leach uranium project (Nebraska), with remainder of proceeds to be used for working capital.

As of result of its rights offering, Co.'s issued capital would increase to 22,225,923 shares on a fully diluted basis.

INCOME OPPORTUNITY REALTY TRUST

Interim Consol. Earns.: Mar. '89— Thou. \$ 3 Mos. to Mar. 31: 1989 1988 Tot. revenues 3,787 2,876 Net income 1d139 78 *Sh. earns d\$0.04 \$0.02 *Ave. shs.: 1988—3,692,073; 1988—3,692,073. Incl. a \$117,000 charge for write-down of GNMA secs. to their market value.

INFORMATION SCIENCE INC.

Agrees to Acquire Implementation Support Associates Inc.— Bruce Coleman, Pres. and Chief Exec. Officer, announced on May 10, 1989, that



Cameco Acquires Uranerz Exploration and Mining Limited & Uranerz U.S.A., Inc.

Saskatoon, Saskatchewan, Canada, April 17, 1998

Cameco Corporation today announced that it has entered into an agreement in principle to purchase Uranerz Exploration and Mining Limited (UEM) Saskatoon, Saskatchewan and Uranerz U.S.A., Inc. (UUS), Denver, Colorado from their parent company, Uranerzbergbau GmbH (UEB) which is jointly owned by Preussag AG and Rheinbraun AG. Rheinbraun is a wholly owned subsidiary of RWE AG and is responsible for mining and raw materials development within the RWE group. Preussag is one of Germany's largest industrial concerns and RWE is Germany's largest electrical utility. The purchase price is \$483 million (Cdn) in cash, subject to closing adjustments.

The principal assets being acquired are 33.33% interests in the Key Lake and Rabbit Lake uranium mines and a 27.92% interest in the McArthur River uranium project. The transaction also includes a 57.69% interest in the Crow Butte uranium mine in Nebraska plus uranium and gold exploration properties in northern Saskatchewan, the United States and Kazakhstan. The acquisition of UEM and UUS will result in approximately a 30% increase in Cameco's uranium reserves and resources, and uranium production levels. The transaction also brings the benefit of a more diversified customer base as a result of the portfolio of contracts that Cameco will assume.

The arrangement is subject to approval by the boards of Preussag, Rheinbraun and RWE. In addition, the transaction must receive all the required regulatory approvals plus the satisfactory completion of normal corporate due diligence and the negotiation of final agreements which will be effective as of January 1, 1998. Closing is expected to occur by mid to late summer, 1998.

With this purchase Cameco will own 100% of both the Key Lake and Rabbit Lake uranium mines which were formerly joint venture properties in which UEM held a one-third interest and Cameco the remaining two-thirds. These mines, located in northern Saskatchewan and operated by Cameco, produced a total of 26.1 million pounds in 1997.

The acquisition of the additional 27.92% interest in the McArthur River project brings Cameco's stake to 83.77%. This property currently under development in northern Saskatchewan is the world's largest high grade uranium deposit. Cameco is the operator. McArthur River has proven and probable reserves and resources of approximately 417 million pounds U_3O_8 at an average grade of about 15%. The project is expected to begin production in fall, 1999 and is currently on schedule.

With the acquisition of UUS's 57.69% interest in the Crow Butte in-situ leach (ISL) production centre in Nebraska, Cameco's ownership increases to 90%. As a result of this purchase, Cameco also adds about 23 million pounds U_3O_8 to its US reserve and resource base.

Cameco will also add to its ISL reserve base through the acquisition of an additional one-third

interest in the Inkai uranium joint venture in Kazakhstan, a property currently ready for development. Cameco will emerge from this agreement as the majority owner (two-thirds) and will become the operator. The remaining share is held by KazAtomProm a company owned by the government of Kazakhstan.

In addition, Cameco will acquire a 20% share of the Midwest uranium project located in northern Saskatchewan, which is scheduled for development within the next decade.

Cameco has also agreed to buy from Rheinbraun its 6.45% interest in Energy Resources of Australia Ltd. (ERA) for approximately \$61 million (Aus). ERA operates the Ranger mine in the Northern Territory of Australia. In 1997 Ranger produced about 10.6 million pounds U_3O_8 . The purchase of the ERA shares is subject to certain consent rights and rights of first refusal held by other significant shareholders of ERA. The acquisition will also require negotiation of a binding agreement and approval by the Australian foreign investment regulatory authorities.

Cameco's chair, president and chief executive officer, Bernard Michel said that, "we are confident that this acquisition represents an excellent investment of Cameco's financial resources. Cameco emerges with increased ownership in three premier uranium deposits, other significant assets and added flexibilities, all of which will play a critical role in the future development of our core business, uranium production. Cameco is uniquely positioned to realize maximum benefits from this acquisition for our shareholders because the company is already the operator of the principal assets. The additional production and sales volumes can be realized without any significant increase in costs." He added that this acquisition has been considered by Cameco for some time but actual negotiations began in September, 1997 culminating in today's announcement.

Cameco's August 1997 equity issue, which raised about \$200 million, positioned the balance sheet for such an acquisition. Bridge financing has been arranged to provide the necessary balance of the purchase price. In the coming year, Cameco will investigate a variety of options including the replacement of bridge financing with longer term debt.

Cameco, with its head office in Saskatoon, Saskatchewan, is the world's largest publicly traded uranium company and a growing gold producer. Its uranium products are used to generate electricity in nuclear power plants around the world, providing one of the cleanest sources of energy available today.

- End -

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INDEX

U.S. Department of Energy
Washington, D.C.

ORDER
DOE 5634.3
6-14-93

SUBJECT: FOREIGN OWNERSHIP, CONTROL, OR INFLUENCE PROGRAM

1. PURPOSE. To establish the policies, responsibilities, and authorities for implementing the Department of Energy (DOE) Foreign Ownership, Control, or Influence (FOCI) program which is designed to obtain information that indicates whether DOE offerors/bidders or contractors/subcontractors are owned, controlled, or influenced by foreign individuals, governments, or organizations, and whether that foreign involvement may pose an undue risk to the common defense and security.
2. APPLICATION TO CONTRACTS OR OTHER AGREEMENTS. The provisions of this Order are to be applied to offerors/bidders and covered contractors/subcontractors and they will apply to the extent implemented under a contract or other agreement requiring access authorization(s). A covered contractor is a seller of supplies or services that is awarded a procurement contract or subcontract.
3. REFERENCES. See Attachment 1.
4. DEFINITIONS. See Attachment 2.
- 5: POLICY. It is Departmental policy to:
 - a. Prior to the award of a DOE contract or agreement requiring access authorization(s), require offerors/bidders and all tier parents, i.e., ultimate parent and any intervening levels of ownership, if the offeror/bidder is controlled by another organization, to submit complete, current, and accurate information, certification, and explanatory documentation which define the extent and nature of any relevant FOCI over the offeror/bidder and tier parents for use by DOE in determining the risk presented by that FOCI.
 - b. To the extent permitted by law, treat information submitted by an offeror/bidder, contractor/subcontractor, and, if applicable, all tier parents as business/financial information submitted in confidence.
 - c. Grant contractors DOE access authorizations after DOE has determined that award of a contract or agreement to an offeror/bidder or continued performance of a contract or agreement by a contractor will not pose an undue risk to the common defense and security.
 - d. For an existing DOE contract or agreement involving access authorization(s), require the contractor and, if applicable, the contractor's tier parents to submit the following to the DOE office where the previously provided FOCI representations and certification(s) were submitted:
 - (1) Written notification of anticipated changes which include, but are not necessarily limited to, the following:

- (a) Action to terminate the contractor organization or any of its parents for any reason.
 - (b) Imminent adjudication of or reorganization in bankruptcy of the contractor organization or any of its tier parents.
 - (c) Discussions or consultations with foreign interests which may reasonably be expected to lead to the introduction or increase of FOCI.
 - (d) Negotiations for the sale of securities to a foreign interest which may lead to the introduction or increase of FOCI.
- (2) Written notification of a change in the extent and nature of FOCI which affects the information in the FOCI representations and certification(s) previously provided.
- (3) Complete, current, and accurate information, certification(s), and explanatory documentation which define the extent and nature of any relevant FOCI whenever:
- (a) There is any change in ownership or control.
 - (b) Five years have elapsed since the previously provided FOCI representations and certification(s) were executed.
 - (c) A DOE Headquarters or field safeguards and security office advises that it considers that a relevant change in the nature of the FOCI has occurred.
- e. Not require the submission of the information and certification required in the DEAR solicitation provision entitled "Foreign Ownership, Control, or Influence (FOCI) over Contractor (Representation)" for a modification and/or extension of an existing DOE contract/agreement unless a contract/agreement is modified into a contract/agreement requiring access authorization(s).
- f. Not require the submission of the information and certification required in the DEAR solicitation provision entitled "Foreign Ownership, Control, or Influence (FOCI) over Contractor (Representation)" when the offeror/bidder requiring access authorization(s) is a local, state, or Federal governmental agency. However, the effected contract/agreement must contain a security clause stating that if the governmental agency subcontracts any work to a commercial entity, the provisions of the DEAR and this Order apply.
- g. Notwithstanding anything to the contrary contained in this Order, DOE reserves the right and has the obligation to impose any security method or requirement it believes necessary to ensure that unauthorized access by foreign interests to classified information and/or SNM is effectively precluded.

6. RESPONSIBILITIES AND AUTHORITIES.

- a. RESERVED

- b. RESERVED
- c. Secretarial Officers shall:
 - (1) Assure implementation, for their Secretarial Offices, of those portions of this Order applicable to Heads of Field Elements.
 - (2) Ensure that Contracting Officers are notified when a procurement request is subject to this Order.
- d. Director of Safeguards and Security (SA-10) shall:
 - (1) Appoint a DOE employee, who is trained in the FOCI process, to serve as the DOE FOCI Program Manager.
 - (2) Develop policies and procedures regarding the security aspects of the FOCI program (except as delegated to the Director of Naval Nuclear Propulsion Program in paragraph 6j.).
 - (3) Establish and maintain procedures to provide written notification to the heads of field safeguards and security offices and SA-14 of the FOCI determinations made by SA-10.
 - (4) Ensure review of all Representative of Foreign Interest (RFI) Statements. Determine whether an individual who is an RFI is eligible for a security clearance or continuation of a security clearance.
 - (5) RESERVED
 - (6) Establish thresholds and/or other criteria whereby the heads of field safeguards and security offices and SA-14 can render FOCI determinations when all of the following factors apply:
 - (a) An offeror/bidder or contractor has an active Department of Defense (DOD) facility clearance without the limitations contained in paragraph 6m(7)(a).
 - (b) When the responses to the FOCI questions do not exceed the thresholds established by SA-10.
 - (c) If controlled by another organization(s), the parent organization(s) is performing, or proposing to perform, work for DOE involving access authorization(s).
 - (7) Establish and maintain a listing of contractors and their tier parents for which FOCI determinations were made by SA-10.
 - (8) Ensure the Office of Safeguards and Security Central Training Academy establishes and updates DOE's FOCI training program to include procurement and security policy requirements that pertain to FOCI.
- e. Director of Policy, Standards and Analysis (SA-12) shall:
 - (1) Process requests for Facility National Agency Checks.

- (2) Review each FOCI case forwarded to Headquarters by a servicing safeguards and security office for a determination as to eligibility for a facility approval or safeguards and security activity.
 - (a) When the offeror/bidder or contractor is controlled by another organization(s) which is not performing work for DOE requiring a access authorization(s), obtain appropriate written assurance from the offeror/bidder or contractor and its parent organization(s) to exclude the parent organization(s) from having any unauthorized access.
 - (b) If determined to be under FOCI, advise the offeror/bidder or contractor of the necessary action to negate or reduce that foreign involvement or its effect. Ensure assistance is provided to the offeror/bidder or contractor in formulating effective security measures.
 - (3) In coordination with General Counsel, when appropriate, prepare a memorandum for SA-10's signature which provides a final FOCI determination to the servicing safeguards and security office.
- f. Director of Field Operations (SA-13) shall:
- (1) Prior to registering a contractor on the Safeguards and Security Information Management System, ensure that the servicing safeguards and security office which submitted the DOE F 5600.2, "Facility Data and Approval Record," has indicated that a FOCI determination was rendered, including the determination date.
 - (2) Review nuclear materials and security survey reports to ensure that surveys examine the contractors' FOCI status.
- g. General Counsel (GC-1) shall:
- (1) Appoint a DOE employee, who is trained in the FOCI process, to serve as the GC-1 FOCI point-of-contact.
 - (2) Upon request by SA-10, ensure review of all complex FOCI cases; e.g., FOCI cases involving Proxy Agreements and Voting Trusts.
 - (3) RESERVED.
- h. Heads of Headquarters and Field Elements Contracting Activities shall:
- (1) Ensure that the contract clauses set forth in DEAR 952.204-2, 952.204-70, 952.204-74, and other relevant sections of 48 CFR Chapter 9 are included in contracts, subcontracts, agreements, and use of consultants requiring DOE access authorizations.
 - (2) Appoint a DOE employee, who is trained in the FOCI process, as the FOCI point-of-contact.

- (3) Ensure, in the case of competitive solicitations, that a FOCI determination will only be requested of the successful offeror/bidder unless there is expected to be insufficient lead time between selection and contract award to allow deferral of the review.
- (4) Ensure that the contracting officer provides the following information to his/her servicing safeguards and security office when a FOCI determination is requested:
 - (a) Identification of the legal party(ies) to the contract or agreement; i.e., the signatories to the contract or agreement.
 - (b) A brief unclassified description of the work, and justification for its applicability to this Order.
 - (c) Highest classification level and category of information and/or material to be accessed.
 - (d) Facility(ies) and/or DOE designated place(s) where the work will be performed.
 - (e) Length of contract or agreement; i.e., number of months/years.
- (5) On contracts or agreements requiring access authorization(s) for which they are responsible, ensure that the contracting officer provides written notification to his/her servicing safeguards and security office in each of the following instances:
 - (a) When there is no longer a need for a requested FOCI review.
 - (b) When a FOCI determination was rendered on an offeror/bidder who was not the successful bidder.
 - (c) Within 30 days of the termination or completion of a contract or agreement involving FOCI.
- (6) When the offeror/bidder and, if applicable, the contractor's tier parents has provided the FOCI representations and certification(s) and not the Alternate Certification(s) of Nonapplicability, ensure that the contracting officer, upon written notification from his/her servicing safeguards and security office, provides the successful offeror/bidder with written notification that:
 - (a) Notifies the contractor that DOE has reviewed the FOCI submission and determined the organization is not under FOCI.
 - (b) Informs the contractor of its contractual obligation and, if applicable, its tier parents' obligation to keep current the information required in the DEAR contract clause entitled "Foreign Ownership, Control, or Influence (FOCI) over Contractor."
 - (c) Identifies the office providing such notification as the

responsible DOE office; i.e., the only office to which the contractor and, if applicable, all tier parents will provide new FOCI representations and certification(s) or written notification of anticipated or significant changes to their previously provided FOCI information, and the office which should be identified by the contractor and, if applicable, all tier parents on any Alternate Certification(s) of Nonapplicability.

- i. Deputy Assistant Secretary for Security Evaluations (EH-4) shall provide independent oversight of the Safeguards and Security Program, including FOCI.
- j. Director of Naval Nuclear Propulsion Program (NE-60) shall, in accordance with the responsibilities and authorities assigned by Executive Order 12344 (statutorily prescribed by Public Law 98-525 (42 U.S.C. 7158, note)), and to ensure consistency throughout the joint Navy/DOE organization of the Naval Nuclear Propulsion Program, implement and oversee all policy and practices pertaining to this Order for activities under the Director's cognizance.
- k. Procurement Request Originator or such other individuals as designated by the cognizant Secretarial Officers or Heads of Field Elements shall bring to the attention of the responsible contracting officer:
 - (1) Each procurement requiring the application of this Order and the justification for its applicability.
 - (2) Requirements for flow-down of provisions of this Order to any subcontract or subaward.
 - (3) Identification of the paragraphs or other portions of this Order with which the awardee or, if different, a subawardee is to comply.
- l. Contracting Officers, based on advice received from the procurement request originators or other designated individuals, shall apply applicable provisions of this Order to awards falling within its scope.
- m. Heads of Field Elements and Director of Headquarters Operations (SA-14) shall:
 - (1) Ensure appointment of a DOE employee as the FOCI point-of-contact in each contracting/procurement organization, and a FOCI Operations Manager in each safeguards and security organization.
 - (2) Ensure the FOCI points-of-contact and FOCI Operations Managers are trained in the FOCI process.
 - (3) Ensure that the contract clauses set forth in DEAR 952.204-2, 952.204-70, 952.204-74, and other relevant sections of 48 CFR Chapter 9 are included in contracts, subcontracts, agreements, and use of consultants requiring access authorization(s).
 - (4) Ensure all required information and certification(s) are obtained from the offeror/bidder/contractor and, if

applicable, all tier parents.

- (5) If required, request from the offeror/bidder/contractor or tier parents missing or explanatory information/data as needed.
- (6) Ensure that all FOCI answers and data are evaluated according to existing DEAR requirements, DOE Acquisition Letters, and applicable DOE Orders, and that a FOCI determination is rendered prior to the award of a contract or agreement under their cognizance which requires access authorization(s).
- (7) For each initial FOCI evaluation of an offeror/bidder, not to include an offeror/bidder who is an individual, contact the DOD Defense Investigative Service (DIS)/Central Verification Activity (CVA) to obtain written confirmation from DIS/CVA of those offerors/bidders which have active DOD facility clearances.
 - (a) When the written confirmation received from DIS/CVA shows that the offeror's/bidder's cleared facility has a Limited Facility Clearance (formerly "Reciprocal" clearance), or DIS/CVA cannot verify the offeror's/bidder's clearance and provides a telephone number to call for verification, ensure that these submissions are immediately forwarded to SA-12 for review.
 - (b) When the offeror/bidder does not have an active DOD facility clearance as determined by DIS/CVA, ensure that a copy of these submissions are forwarded to SA-12 for a Facility National Agency Check. However, the servicing safeguards and security office can render the FOCI determination prior to forwarding the FOCI representations and certification(s) and supporting information to SA-12 when both of the following factors apply:
 - 1 The responses to the FOCI questions do not exceed the thresholds established by SA-10.
 - 2 If controlled by another organization(s), the parent organization(s) is performing, or proposing to perform, work for DOE requiring access authorization(s).
- (8) Ensure the servicing safeguards and security offices provide FOCI determinations on offerors/bidders/contractors if delegated such authority as defined in paragraphs 6m(7)(a) and 6m(7)(b).
- (9) Refer FOCI cases to SA-12 when the servicing safeguards and security offices are unable to resolve the FOCI factors present or have not been delegated authority to grant a facility approval or safeguards and security activity or continue a contractor's facility approvals and safeguards and security activities. Ensure each case file referred to SA-12 contains all required information and certification(s) from the offeror/bidder/contractor and, if applicable, all tier parents, and document the reason(s) the case has been forwarded.

- (10) Ensure that during required nuclear materials and security surveys required by DOE 5634.1B, DOE personnel verify that a FOCI determination was rendered by the appropriate security office (i.e., servicing safeguards and security office or SA-10) on the contractor and, if applicable, all tier parents, and that there has been no significant change in the extent and nature of FOCI which would affect the information in the FOCI submission(s) most recently filed with DOE, including any change(s) in ownership or control.
- (11) Establish and maintain a listing of contractors for which FOCI determinations were made by the servicing safeguards and security offices and provide an updated list of such contractors to SA-10 quarterly on a fiscal year basis.
- (12) On an existing DOE contract or agreement requiring access authorization(s), ensure that the contractor and, if applicable, the contractor's tier parents possess a favorable FOCI determination.
- (13) Ensure that contractors who possess an existing FOCI determination and, if applicable, the contractors' tier parents submit the following to the responsible DOE office; i.e., the office where the previously provided FOCI representations and certifications were submitted:
 - (a) Written notification of anticipated changes which include, but are not necessarily limited to the following:
 - 1 Action to terminate the contractor organization or any of its parents for any reason.
 - 2 Imminent adjudication of or reorganization in bankruptcy of the contractor organization or any of its tier parents.
 - 3 Discussions or consultations with foreign interests which may reasonably be expected to lead to the introduction or increase of FOCI.
 - 4 Negotiations for the sale of securities to a foreign interest which may lead to the introduction or increase of FOCI.
 - (b) Written notification of a change in the extent and nature of FOCI which affects the information in the FOCI representations and certifications previously provided.
 - (c) Complete, current, and accurate information, certifications, and explanatory documentation which define the extent and nature of any relevant FOCI whenever:
 - 1 There is any change in ownership or control.
 - 2 Five years have elapsed since the previously provided FOCI representations and certifications were executed.

- 3 A DOE Headquarters or field safeguards and security office advises that it considers that a relevant change in the nature of the FOCI has occurred.

(14) Ensure that the following is accomplished upon notification by the contracting officer of the termination or completion of a contract or agreement when the contractor has no other active contracts or agreements with that DOE office that require access authorization(s):

- (a) If not the responsible DOE office, provide written notification to the responsible DOE office that the reporting office has no active contracts or agreements with the contractor which require access authorization(s).

(b) When the DOE office is the responsible DOE office:

- 1 Determine if the contractor is performing work on any contracts or agreements requiring access authorization(s) under the cognizance of another DOE office(s) by checking the contractor's FOCI file for an Alternate Certification(s) of Nonapplicability.
- 2 Transfer the contractor's FOCI file to the first office which requested verification of the contractor's Alternate Certification of Nonapplicability, if any, if the contractor is performing work on a contract(s)/agreement(s) requiring access authorization(s).
- 3 Provide written notification to the contractor that its FOCI file has been transferred to a new responsible DOE office to which the contractor and, if applicable, all tier parents should provide all future FOCI representations and certification(s) or written notifications of anticipated or significant changes, and which should be identified by the contractor and, if applicable, all tier parents on any Alternate Certification(s) of Nonapplicability.
- 4 If the contractor is not performing work on any contracts or agreements requiring access authorization(s) at another DOE office, retain the contractor's file.
- 5 Advise SA-12 in writing of the action taken regarding the transfer or retention of the contractor's FOCI file.

7. BACKGROUND.

- a. The FOCI program was initiated in response to the concern that if a DOE contractor is owned, controlled, or significantly influenced by a foreign interest(s), there is a risk that such a contractor could be financially or politically coerced or induced into providing DOE classified information and/or SNM to the foreign interest, or impact adversely the performance of a contract(s) or

agreement(s) involving access to classified information and/or SNM.

- b. When DOE solicits bids or proposals for a contract(s) or agreement(s) requiring access authorization(s), a FOCI submission is required of the offerors/bidders and all tier parents; i.e., ultimate parent and any intervening levels of ownership, if the offeror/bidder is controlled by another organization. A FOCI submission consists of answers to an eleven-part questionnaire (i.e., the FOCI representations), a certification of its accuracy, and back-up or explanatory information.

8. **CONCEPT OF OPERATIONS.** This paragraph lists requirements for eligibility for a facility approval or safeguards and security activity, identifies factors that shall be considered in determining whether an offeror/bidder or a contractor is or may be under FOCI, prescribes procedures for accepting a FOCI determination rendered by another Federal agency, and outlines procedures for processing and rendering determinations.

a. **Eligibility Requirements.**

- (1) A U.S. organization effectively owned or controlled by a foreign government is ineligible for a facility approval or a safeguards and security activity unless the Secretary of Energy determines that a waiver is essential to the national security interest of the U.S.
- (2) An offeror/bidder that is owned, controlled, or influenced by a foreign interest from a sensitive country identified in DOE 1500.3, FOREIGN TRAVEL AUTHORIZATION, and DOE 1240.2B, UNCLASSIFIED VISITS AND ASSIGNMENTS BY FOREIGN NATIONALS, shall not be eligible, in some cases, for a facility approval or safeguards and security activity. SA-10 will make the determination.
- (3) An offeror/bidder that is owned, controlled, or influenced by a foreign interest from a nonsensitive country shall be eligible for a facility approval or safeguards and security activity provided action can be taken to effectively negate or reduce associated FOCI risk to an acceptable level.
- (4) The chairman of the board and all principal officers of the U.S. organization(s) to be cleared for a facility approval or safeguards and security activity must be U.S. citizens residing within the limits of the U.S.

- b. **Factors.** An offeror/bidder/contractor will be considered under FOCI when a reasonable basis exists to conclude that the nature and extent of FOCI over the management or operations of the offeror/bidder/contractor may result in the compromise of classified information or unauthorized access to SNM. The following factors will be considered in determining whether an organization is under FOCI or has FOCI involvement:

- (1) Foreign interest ownership or beneficial ownership of 5 percent or more of the organization's securities.
- (2) Ownership by the organization of any foreign interest in whole or in part.

- (3) Foreign interest representation in one or more management positions such as directors, officers, or executive personnel.
- (4) Foreign interest in a position to control or influence the election, appointment, or tenure of one or more of the directors, officers, or executive personnel of the organization.
- (5) Contract(s), agreement(s), understanding(s), or other arrangement(s) with a foreign interest.
- (6) Indebtedness, actual or potential (unused lines of credit), to a foreign interest.
- (7) Any revenue derived from a sensitive country.
- (8) Revenue in excess of 10 percent of total revenue from foreign interest(s).
- (9) Five percent or more of any class of the organization's securities held in "nominee shares," "street names," or some other method which does not disclose the beneficial owner of equitable title.
- (10) Interlocking directors with foreign interests.
- (11) Any citizen(s) of a foreign country(ies), whether an employee or visitor, who may have access to classified information and/or SNM.
- (12) Any other factor that indicates or demonstrates a capability on the part of a foreign interest to control or influence the operations, management, or business of the organization.

c. Procedures for Accepting a FOCI Determination Rendered by Another Federal Agency. DOE will accept a DOD FOCI determination when Work For Others, as outlined in DOE 4300.2B, NON-DEPARTMENT OF ENERGY FUNDED WORK (WORK FOR OTHERS), is DOD-funded and is subcontracted to a DOD contractor, and for DOE-funded work being conducted by a DOD contractor at an existing DOD-cleared facility, when the following requirements are met:

- (1) The offeror/bidder has not been granted a Limited Facility Clearance (formerly "Reciprocal" clearance) by DOD or the offeror/bidder is not operating under a DOD Special Security Agreement.
- (2) Only access to National Security Information will be required.
- (3) The requirements for accepting an existing DOD facility approval in DOE 5634.1B, FACILITY APPROVAL, SECURITY SURVEYS, AND NUCLEAR MATERIALS SURVEYS, are met.
- (4) The offeror/bidder certifies that the FOCI information submitted to the DOD Defense Investigative Service is complete, current, and accurate.

If all of the above requirements are not met, the servicing safeguards and security office shall ensure that the offeror/bidder is required to submit to DOE comprehensive FOCI representations and certification for evaluation in accordance with this Order.

d. Processing Offerors/Bidders for Initial FOCI Determinations.

- (1) After verifying that all required information is contained within the submission(s), the DOE contracting officer shall forward the FOCI package to his/her servicing safeguards and security office.
- (2) The servicing safeguards and security office shall render the FOCI determination when all of the following factors apply:
 - (a) The offeror/bidder has an active DOD facility clearance without the limitations contained in paragraph 6m(7)(a).
 - (b) The responses to the FOCI questions do not exceed the thresholds established by SA-10.
 - (c) If controlled by another organization(s), the parent organization(s) is performing, or proposing to perform, work for DOE requiring access authorization(s).
- (3) Whenever the servicing safeguards and security office is unable to resolve the FOCI factors present or has not been delegated authority to grant a facility approval or safeguards and security activity, the case file shall be forwarded to SA-12 with a recommended determination. SA-12 shall review the package to determine if it concurs with the servicing safeguards and security office's recommended favorable or unfavorable determination.
- (4) SA-12, in coordination with General Counsel, when appropriate, will prepare a memorandum for SA-10's signature which provides a final FOCI determination to the servicing safeguards and security office.

e. Processing Contractors Who Complete Alternate Certifications of Nonapplicability.

- (1) The Alternate Certification(s) of Nonapplicability, provided by a contractor and, if applicable, its tier parents shall identify the DOE office which has been identified as the responsible office, provide the date of the previously provided FOCI representations and certification(s), and include a copy of the written notification the contractor received from DOE.
- (2) The contracting officer shall verify Alternate Certification(s) of Nonapplicability through his/her servicing safeguards and security office.
- (3) The servicing safeguards and security office shall accomplish the following upon receipt of such a request from the contracting officer:
 - (a) Submit the Alternate Certification(s) of

Nonapplicability to the relevant servicing safeguards and security office and request written verification of the contractor's and, if applicable, its tier parents' Alternate Certification(s) of Nonapplicability, to include a copy of the FOCI determination. However, if 5 years have elapsed since the last FOCI representations and certification(s) were executed, the responsible DOE office will request a new submission from the contractor and/or, if applicable, the contractor's tier parents.

(b) At a minimum, written verification will include:

- 1 Whether the FOCI determination was rendered by the appropriate security office (i.e., servicing safeguards and security office or SA-10), to include the date of the determination.
- 2 The factors upon which the determination was based and the limitations, if any, imposed for reasons of FOCI.
- 3 Whether DIS/CVA was contacted and written confirmation of the contractor's active DOD facility clearance was received from DIS/CVA; or, if the contractor did not have an active DOD facility clearance as determined by DIS/CVA, whether the contractor's information was forwarded to SA-12 for a Facility National Agency Check.
- 4 Whether the file(s) contains any new or unresolved FOCI issues.
- 5 Whether the individual who executed the Alternate Certification of Nonapplicability is an authorized official, or is any other employee who an authorized official designated in writing with the authority to execute the FOCI representations and certification on behalf of the organization.

(c) Upon receipt of a favorable written verification, the servicing safeguards and security office shall provide written notification to the submitting contracting officer that verification of the contractor's and, if applicable, its tier parents' previous certification(s) has been completed.

- (4) When a contractor and, if applicable, its tier parents have provided the Alternate Certification(s) of Nonapplicability and the previous certification(s) is verified, written confirmation of a FOCI determination shall not be provided to the contractor.

f. Schedule for Processing FOCI Determinations.

- (1) The following schedules (in working days) shall be observed by the servicing safeguards and security office in processing FOCI determinations:

(a) Initial review and verification procedures shall be accomplished by the servicing safeguards and security

office within 15 days of the receipt of a FOCI submission from the contracting officer.

- (b) Within an additional 20 days, one of the following actions will be taken by the servicing safeguards and security office:
- 1 A FOCI determination will be rendered.
 - 2 If required, additional information will be requested either verbally or in writing from the offeror/bidder/contractor.
 - 3 Forward the FOCI case to SA-12 when any of the following factors apply:
 - a When the written confirmation received from DIS/CVA shows that the offeror's/bidder's cleared facility has a Limited Facility Clearance (formerly "Reciprocal" clearance), or DIS/CVA cannot verify the offeror's/bidder's clearance and provides a telephone number to call for verification.
 - b The responses to the FOCI questions exceed the thresholds established by SA-10.
 - c If controlled by another organization(s), the parent organization(s) is not performing, or proposing to perform, work for DOE requiring access authorization(s).
- (c) If additional information is requested, the following procedures will be followed:
- 1 The offeror/bidder/contractor should provide the requested information within 15 days from the date of notification. Upon receipt of the requested information, the servicing safeguards and security office will review the information within 10 days and, if complete, either render a FOCI determination or, when appropriate, forward the submission to SA-12 for review.
 - 2 If the offeror/bidder/contractor does not provide the additional information within 15 days, the servicing safeguards and security office shall provide written notification to the submitting contracting officer that processing of the request will stop and the FOCI submission will be returned to his/her office if the requested information is not received from the offeror/bidder/contractor within an additional 15 days.
 - 3 When a FOCI determination is still required on any such returned cases, the contracting officer must then resubmit the request to his/her servicing safeguards and security office after the offeror/bidder/contractor has provided the additional information. Such requests will be considered new

submissions and will be processed according to the schedules provided above.

- (2) The following schedules (in working days) shall be observed by SA-12 in processing FOCI cases submitted by the servicing safeguards and security offices:

(a) Upon receipt of a FOCI case from a servicing safeguards and security office, SA-12 will review the submission within 15 days. If the submission is incomplete or does not address all the FOCI issues, SA-12 will either verbally or in writing notify the servicing safeguards and security office of the additional information required. If the required information is not received within 30 days from the date of notification, the FOCI case will be returned without further action. When a FOCI determination is still required on any such returned case, the servicing safeguards and security office must then resubmit the request to SA-12 for a FOCI determination after obtaining the missing information from the offeror/bidder/contractor. Upon resubmission, the request will be considered a new submission and will be processed according to the schedule indicated above.

- (b) Within an additional 20 days, one of the following actions will be taken by SA-12 on complete FOCI submissions:

- 1 In coordination with General Counsel, when appropriate, prepare a memorandum for SA-10's signature which provides a final FOCI determination to the servicing safeguards and security office.
- 2 If required, advise the offeror/bidder/contractor in writing of any security measures (e.g., board resolutions or other methods to negate or reduce FOCI) required to be placed into effect in order for the offeror/bidder to be eligible for access authorization(s) or for continuation of a contractor's facility approvals and safeguards and security activities. Within 15 days from the date of SA-12's notification, the offeror/bidder/contractor must provide evidence that the necessary security measures have or will be implemented.
- 3 If the offeror/bidder has not provided SA-12 evidence that the necessary security measures have or will be implemented within the time frame mentioned in paragraph 8f(2)(b)2, SA-12 will provide written notification to the servicing safeguards and security office of the offeror's/bidder's noncompliance. In turn, the servicing safeguards and security office will provide written notification to the submitting contracting officer of the offeror's/bidder's noncompliance and that if the required action/information is not taken/provided within an additional 15 days, processing of the request will stop and the FOCI submission will be returned to his/her office.

4. If the necessary security measures cannot be placed into effect, SA-12 will notify the servicing safeguards and security office in writing as mentioned in 8f(2)(b)1 that the offeror/bidder shall be ineligible for access authorization(s).
 5. If a contractor has not provided SA-12 evidence that the necessary security measures have or will be implemented within the time frame mentioned in paragraph 8f(2)(b)2, SA-12 will provide written notification to the responsible DOE office's servicing safeguards and security office of the contractor's noncompliance. In turn, the responsible DOE office will provide written notification to the contractor that its facility approvals and safeguards and security activities may be suspended if the required action/information is not taken/provided within an additional 15 days.
 6. If the contractor is determined to be under FOCI and the contractor will not implement the necessary security measures, SA-12 will notify the responsible DOE office's servicing safeguards and security office in writing as mentioned in 8f(2)(b)(1) of an adverse determination which may result in the contractor's facility and activities being shut down/suspended pending resolution of the FOCI.
- (3) The following actions will be taken if the identified time frames are not achieved by the servicing safeguards and security office and/or SA-12:
- (a) The servicing safeguards and security office shall provide written notification to the submitting contracting officer, with a copy to SA-12, regarding the reason for the delay in processing/completing the submission and the expected completion date.
 - (b) SA-12 shall provide written notification to the servicing safeguards and security office regarding the reason for the delay in processing/completing the submission and the expected completion date.
- g. Significant FOCI Changes.
- (1) When a change(s) in the extent and nature of FOCI which would affect the information in a contractor's and/or, if applicable, its tier parents' most recent DOE FOCI submission(s) has occurred, the contractor/parent shall immediately provide written notification and explanatory/supporting documentation relevant to the change(s) to the responsible DOE office. A significant FOCI increase(s)/change(s) which warrants processing of the contractor/parent for a new FOCI determination includes, but is not necessarily limited to, the following:
 - (a) A new threshold or factor that did not exist when the previous determination was made (e.g., a "no" answer

changes to a "yes" answer), and any additional factors associated with the questions on the FOCI representations and certification.

- (b) A previously reported threshold or factor that was favorably evaluated by the servicing safeguards and security office has increased to a level requiring a determination by SA-10.
- (c) A previously reported financial threshold or factor that was favorably evaluated has increased by 5 percent or more.
- (d) A previously reported foreign ownership threshold or factor that was favorably evaluated by SA-10 has increased to the extent that a method of negation or reduction (see paragraphs 10 and 11) is necessary.
- (e) Any change(s) in the ownership or control of the contractor and/or, if applicable, the contractor's tier parents.
- (f) An employee who becomes an RFI, as defined in Attachment 2, or the status of an existing RFI changes in a manner that would make the employee ineligible for a security clearance.

- (2) The responsible DOE office's servicing safeguards and security office will provide new FOCI determinations to those DOE safeguards and security offices who have requested written verification of an Alternate Certification of Nonapplicability provided by a contractor.

9. **ADVERSE DETERMINATION.** When an offeror/bidder or contractor determined to be under FOCI will not take the necessary security measures, as determined by DOE, to negate or reduce FOCI to an acceptable level, an adverse determination will be rendered by SA-10.
10. **METHODS TO NEGATE OR REDUCE UNACCEPTABLE FOCI.** DOE, the effected U.S. organization(s), or its legal representatives may propose a plan to negate or reduce unacceptable FOCI, but the primary responsibility for approving such a plan rests with DOE. A plan may consist of one of the insulating measures prescribed in paragraph 11 or any combination of those measures, as appropriate. It may also consist of other measures employed in conjunction with, or apart from, these methods, such as:
- a. Physical or organizational separation of the component performing the work requiring access authorization(s).
 - b. Modification or termination of agreements with foreign interests.
 - c. Diversification or reduction of agreements with foreign interests.
 - d. Diversification or reduction of income from foreign interests.
 - e. Assignment of specific security duties and responsibilities to selected officials of the organization.
 - f. Creation of special executive-level committees to consider and oversee classified information and/or SNM.

11. **METHODS TO NEGATE OR REDUCE RISK IN FOREIGN OWNERSHIP CASES.** Under normal circumstances, foreign ownership of a U.S. organization under consideration for a facility approval or safeguards and security activity becomes a concern to DOE when the amount of foreign-owned stock is at least sufficient to elect representation to the U.S. organization's board of directors or a foreign interest(s) is in a position to select such representatives. Foreign ownership which cannot be so manifested is not, in of itself, considered significant. Instances involving insignificant foreign stockholdings are, nonetheless, analyzed to assess the ownership source and to determine the possible significance when considered in conjunction with other aspects of foreign involvement which may be present in a particular case.
- a. **Board Resolution for Noncontrolling Foreign Minority Cases.** When a foreign interest(s) owns voting stock, directly or indirectly, that is sufficient to elect representation to the U.S. organization's board of directors, a resolution(s) by the U.S. organization's board of directors and other actions as described below may be considered as a method to negate or reduce the FOCI.
- (1) **Contents of the Resolution(s).** The resolution(s) must be to the following effect:
- (a) Acknowledge and describe all FOCI elements; identify the foreign interest(s) and its representative(s), including those who are U.S. citizens; describe the type and number of foreign-owned shares.
 - (b) Acknowledge the organization's obligations to comply with all security program and export control requirements.
 - (c) Certify that the foreign interest(s) shall not require, shall not have, and can be effectively precluded from access to all classified information and/or SNM entrusted to or held by the U.S. organization; certify that the foreign interest(s) will not be permitted to occupy a position(s) that would enable it/them to influence the organization's policies and practices in the performance of contracts or agreements requiring access authorization(s); and provide for an annual certification to DOE acknowledging the continued effectiveness of the resolution.
- (2) **Publication of the Resolution(s).** The U.S. organization shall be required to distribute to its directors and its principal officers copies of such resolutions and report in its corporate records the completion of such distribution. In addition, the substance of the foregoing resolution(s) shall be brought to the attention of all personnel possessing or being processed for a DOE security clearance.
- (3) **Criteria.** The following criteria must also be satisfied in order for a board resolution to be utilized as the sole method accepted to negate or effectively reduce the risk of compromise arising from foreign ownership within the levels prescribed herein:

- (a) Identified U.S. interests own a majority of the stock;
 - (b) A foreign interest(s) is not the single largest shareholder; and
 - (c) The nature and distribution of the minority stockholdings and the composition and structure of management does not permit a foreign interest(s) to control or dominate the business management of the U.S. organization.
- (4) Verification. Compliance with the resolution(s) shall be verified during periodic surveys. There are circumstances when it may become necessary for the U.S. organization's board of directors to adopt further resolutions and take additional administrative actions to assure DOE that the existing facility approvals and safeguards and security activities remain clearly consistent with the national interest.
- b. Controlling Foreign Majority Cases.
- (1) Voting Trust Agreement. A Voting Trust Agreement is an acceptable method to negate or reduce risks associated with foreign ownership when a foreign interest(s) owns a majority of the voting securities of the U.S. organization or, if less than 50 percent foreign-owned, it can be reasonably determined that the foreign interest(s) or its/their representative(s) is in a position to effectively control or have the dominant influence over the business management of the U.S. organization. Under this arrangement, the following requirements must be met:
- (a) The foreign stockholder(s) must transfer legal title of foreign-owned stock to the Trustees, and the U.S. organization to be cleared must be organized, structured and financed so as to be capable of operating as a viable business entity independent from the foreign stockholder(s).
 - (b) The Voting Trust Agreement must unequivocally provide for the exercise of all prerogatives of ownership by the Trustees with complete freedom to act independently and without consultation with, interference by, or influence from foreign stockholder(s).
 - (c) There shall be at least three Trustees, and all must become members of the U.S. organization's board of directors. In addition, the Trustees must:
 - 1 Be U.S. citizens residing within the limits of the U.S. and capable of assuming full responsibility for voting the stock and exercising the management prerogatives relating thereto in such a way as to ensure that the foreign stockholder(s) will be effectively insulated from the cleared U.S. organization.
 - 2 Be completely disinterested individuals with no prior involvement with either the cleared U.S.

- organization, its foreign-owned tier parent(s), and any of its foreign-owned affiliate(s).
- 3 Be issued a security clearance to the level of the facility approval or safeguards and security activity.
 - 4 Be approved by SA-10 when a vacancy occurs due to the resignation or removal of a Trustee and a successor Trustee is appointed by the remaining Trustees.
 - 5 Prior to being accepted as Trustees by SA-10, be advised by SA-10 of the duties and responsibilities they are undertaking on behalf of DOE to insulate the cleared U.S. organization from the foreign interest(s), and indicate, in writing, their willingness to accept this responsibility.
- (d) The Voting Trust Agreement may, however, limit the authority of the Trustees by requiring approval from the foreign stockholder(s) with respect to:
- 1 The sale or disposal of the cleared U.S. organization's assets or a substantial part thereof;
 - 2 Pledges, mortgages or other encumbrances on the capital stock which they hold in trust;
 - 3 Corporate mergers, consolidations, or reorganizations;
 - 4 The dissolution of the cleared U.S. organization; and
 - 5 The filing of a bankruptcy petition.
- (e) The Trustees must assume full responsibility for the voting stock and for exercising all management prerogatives relating thereto in such a way as to ensure that the foreign stockholder(s), except for the approvals enumerated above, will be effectively insulated from the cleared U.S. organization and continue solely in the status of beneficiaries.
- (f) The Certification and Visitation Approval Procedure Agreement of paragraph 11b(3) is required under this arrangement.
- (2) Proxy Agreement. A Proxy Agreement is an acceptable method to negate or reduce risks associated with foreign ownership when a foreign interest(s) owns a majority of the voting securities of the U.S. organization or, if less than 50 percent foreign-owned, it can be reasonably determined that the foreign interest(s) or its/their representative(s) is in a position to effectively control or have the dominant influence over the business management of the U.S. organization. Under this arrangement, the voting rights of stock owned by a foreign interest(s) are conveyed to Proxy

Holders by an irrevocable Proxy Agreement. Legal title to the stock remains with the foreign interest(s). All other provisions of the Voting Trust Agreement as applies to Trustees (see paragraph 11(b)(1)) and the terms of the agreement shall apply to the Proxy Holders. Conditions for consideration of use of a Proxy Agreement are the same as required for a Voting Trust Agreement.

- (3) Visitation Approval Procedure Agreement. In every case where a Voting Trust Agreement or Proxy Agreement is employed to negate or reduce risks associated with foreign ownership, a Visitation Approval Procedure Agreement shall be executed between the cleared U.S. organization, the foreign interest(s), SA-10, and as appropriate, Trustees, Proxy Holders, or other designated individuals. The Visitation Approval Procedure Agreement must identify who may visit, for what purposes, when advance approval is necessary, and the approval authority. The cleared U.S. organization shall submit individual requests to the approval authority for each visit. The Visitation Approval Procedure Agreement shall provide that, as a general rule, visits between the foreign stockholder(s) and the cleared U.S. organization are not authorized; however, as an exception to the general rule, the approval authority may approve such visits in connection with regular day-to-day business operations pertaining strictly to purely commercial products or services and not pertaining to contracts requiring access authorization(s).

12. ANNUAL REVIEW AND COMPLIANCE.

- a. Annual Review. Representatives of SA-10 shall meet at least annually with senior management officials of U.S. organizations operating under a DOE-approved Voting Trust or Proxy Agreement to review the purpose and effectiveness of the pertinent security arrangement, and to establish common understanding of the operating requirements and how they will be implemented within the cleared U.S. organization. These reviews will include at least a discussion of the following:
 - (1) Whether the security arrangement is working in a satisfactory manner.
 - (2) Compliance or acts of noncompliance with the approved security arrangement.
 - (3) Problems or impediments associated with the practical application or utility of the security arrangement.
 - (4) Whether security controls, practices, or procedures warrant adjustment.
- b. Annual Certification. At the end of each year of operation, the Trustees, Proxy Holders, or other principals, as appropriate, shall submit to SA-10 an annual implementation and compliance report. Such reports shall include the following information:
 - (1) A detailed description of the manner in which the cleared U.S. organization is fulfilling its obligations under the applicable security arrangement.

- (2) Changes to security procedures, implemented or proposed, and the reasons for those changes.
- (3) A detailed description of any acts of noncompliance, whether inadvertent or intentional, with a discussion of what steps were taken to prevent such acts from recurring.
- (4) Any changes, or impending changes, of senior management officials, or key board members, including the reasons therefor.
- (5) Any other issues that could have a bearing on the effectiveness of the applicable security arrangement.

Failure on the part of the cleared U.S. organization to assure compliance with the terms of the applicable security arrangement may result in the organization's facility and activities being shut down/suspended pending resolution of the FOCI.

13. **SUPPLEMENTARY DIRECTIVES AND GUIDANCE.** Supplementary directives to this Order pertaining to requirements, standards and procedures shall be published as a DOE Manual which will be issued as part of the Departmental Directives System, subject to appropriate coordination. This Manual shall contain requirements, standards, and procedures that are nondiscretionary, mandatory requirements. Additional guidance will be issued containing information pertaining to matters which are discretionary.
14. **IMPLEMENTATION.** This Order is effective upon the date of issue shown.

BY ORDER OF THE SECRETARY OF ENERGY:

LINDA G. SYE
Acting Assistant Secretary for
Human Resources and Administration

REFERENCES

1. Title 42 U.S.C. 2011, et seq., "Atomic Energy Act of 1954," as amended, which establishes standards and instructions to govern the possession and use of special nuclear material, nuclear material, and source material, and byproduct material and establishes procedures for control of atomic energy information.
2. Title 10 CFR 1016, "Safeguarding of Restricted Data," of 8-10-83, which establishes criteria and procedures for the protection of Restricted Data.
3. Title 48 CFR Chapter 9 (Department of Energy Acquisition Regulation (DEAR)) sets forth the security provision and contract clauses to be

used in DOE solicitations and contracts or agreements involving access to classified information and/or a significant quantity of SNM. They are:

- a. DEAR Subpart 904.70, "Foreign Ownership, Control, or Influence over Contractors," which sets forth the DOE policies and procedures regarding FOCI over contractors.
 - b. DEAR 952.204-2, "Security," a clause required in contracts under Section 31 (research assistance) or 41 (ownership and operation of production facilities) of the Atomic Energy Act of 1954, as amended, and in other contracts and subcontracts, the performance of which involves or is likely to involve classified information.
 - c. DEAR 952.204-70, "Classification," a clause required in all contracts that involve classified information.
 - d. DEAR 952.204-73, "Foreign Ownership, Control or Influence (FOCI) Over Contractor (Representation)," a provision required in all solicitations for contracts subject to DEAR 904.70.
 - e. DEAR 952.204.74, "Foreign Ownership, Control, or Influence (FOCI) Over Contractor," a clause required in new contracts subject to DEAR 904.70.
4. Executive Order 10865, "Safeguarding Classified Information within Industry," of 2-20-60, which established criteria and procedures for the protection of classified National Security Information within industry.
 5. Executive Order 12356, "National Security Information," of 4-2-82, which provides requirements for protecting National Security Information, and "Information Security Oversight Office Directive No. 1," of 6-25-82, which assists in implementing Executive Order 12356.
 6. Executive Order 12829, "National Industrial Security Program," of 1-6-93, which establishes a single, integrated, cohesive industrial security program to protect classified information and to preserve the Nation's economic and technological interests.
 7. DOE 1240.2B, UNCLASSIFIED VISITS AND ASSIGNMENTS BY FOREIGN NATIONALS, of 8-21-92, which establishes DOE authorities, responsibilities, and policies and prescribes administrative procedures for visits and assignments by foreign nationals to DOE facilities for purposes involving unclassified matter.
 8. DOE 1500.3, FOREIGN TRAVEL AUTHORIZATION, of 11-10-86, which establishes DOE policy and procedures for official and unofficial foreign travel.
 9. DOE 4300.2B, NON-DEPARTMENT OF ENERGY FUNDED WORK (WORK FOR OTHERS), of 7-16-91, which establishes policy, responsibilities, and procedures for authorizing and administering non-DOE funded work performed under DOE contracts.
 10. DOE 5630.11A, SAFEGUARDS AND SECURITY PROGRAM, of 12-7-92, which establishes policy and responsibilities for the DOE Safeguards and Security Program.
 11. DOE 5630.12A, SAFEGUARDS AND SECURITY INSPECTION AND ASSESSMENT

PROGRAM, of 6-23-92, which establishes an independent inspection and assessment program to determine the effectiveness of the Department's safeguards and security policies and procedures, including their implementation across the Department.

12. DOE 5631.2C, PERSONNEL SECURITY PROGRAM, of 9-15-92, which establishes policy, responsibilities, and authorities for implementing the DOE Personnel Security Program.
 13. DOE 5631.4A, CONTROL OF CLASSIFIED VISITS, of 7-8-92, which prescribes DOE standards and procedures for controlling visitors to DOE, DOE contractor, subcontractor, and access permittee facilities.
 14. DOE 5634.1B, FACILITY APPROVAL, SECURITY SURVEYS, AND NUCLEAR MATERIALS SURVEYS, of 9-15-92, which establishes DOE requirements for granting facility approvals prior to permitting safeguards and security interests on the premises and the conduct of on-site security and/or nuclear material surveys.
 15. DOE 5939.1, INFORMATION SECURITY PROGRAM, of 10-19-92, which establishes the program, as a system of elements which serve to deter collection activities.
 16. DOE Acquisition Letter 92-2, of 3-4-92, which transferred responsibility for making FOCI determinations to the DOE safeguards and security office and established procedures for submission of FOCI information.
-

DEFINITIONS

1. ACCESS. Refers to the following:
 - a. The knowledge, use, or possession of classified or other sensitive information required by an individual to perform his/her official duties that is provided to the individual on a need-to-know basis.
 - b. Situations that may provide an individual proximity to or control over special nuclear material.
 - c. The ability and opportunity to obtain knowledge of classified information. An individual, in fact, may have access to classified information by being in a place where such information is kept, if the security measures that are in force do not prevent gaining knowledge of the classified information.
2. ACCESS AUTHORIZATION OR SECURITY CLEARANCE. An administrative determination that an individual is eligible for access to classified information or special nuclear material on a "need-to-know" basis. Clearances granted by the Department are designated Q, L, Top Secret, or Secret.
3. ALTERNATE CERTIFICATION OF NONAPPLICABILITY. A method to avoid repeated submissions of comprehensive FOCI representations. If a contractor and, if applicable, its tier parents have previously

received a FOCI determination from a DOE Headquarters or field safeguards and security office within the past 5 years, the contractor and its tier parents, if any, need not complete the FOCI representations but instead shall complete the Alternate Certification of Nonapplicability, as defined in DOE Acquisition Letter 92-2, provided there have been no changes to the FOCI submission previously filed with DOE pursuant to DEAR 952.204-73, including any changes in the ownership or control of the contractor or its tier parents, if any.

4. **AUTHORIZED OFFICIAL.** A person authorized to represent and sign for an offeror/bidder or contractor (e.g., a corporation--a person identified in the Corporation's By-laws as responsible for managing the business and affairs of the Corporation; a partnership--the managing or general partner, etc.)
5. **AUTHORIZED PERSON.** A person who has a need-to-know for classified information in the performance of official duties and who has been granted the required security clearance.
6. **CLASSIFIED INFORMATION.** Certain information requiring protection against unauthorized disclosure in the interests of national defense and security or foreign relations of the United States pursuant to Federal statute or Executive order. The term includes Restricted Data, Formerly Restricted Data, and National Security Information. The potential damage to the national security of each is denoted by the classification levels Top Secret, Secret, or Confidential.
7. **CLASSIFIED MATERIAL.** Chemical compounds, metals, fabricated or processed items, machinery, electronic equipment, and equipment or any combination thereof that has been assigned a classification level and classification category.
8. **COMPROMISE.** Disclosure of classified information to unauthorized persons.
9. **CONTRACTING OFFICER.** A Government official who, in accordance with Departmental procedures, currently is designated as a contracting officer with the authority to enter into and administer contracts, and make determinations and findings with respect thereto, or any part of such authority. The term also includes the designated representative of the contracting officer acting within the limits of his/her authority.
10. **CONTRACTOR.** An entity or person who contracts directly or indirectly to supply goods or services to the DOE.
11. **CONTROL.** The power, of any nature and by any means, direct or indirect, whether exercised or exercisable, to prevail over matters affecting the management or operations of the U.S. organization.
12. **FACILITY.** An educational institution, manufacturing plant, laboratory, office building, or complex of buildings located on the same site that is operated and protected as one unit by DOE or its contractor(s).
13. **FACILITY APPROVAL.** A determination that a facility (and/or activities conducted within a facility) is eligible to receive, produce, use, or store classified matter, nuclear materials, or DOE property of significant monetary value.
14. **FACILITY NATIONAL AGENCY CHECK.** A national agency check of a facility

that includes a check of the Federal Bureau of Investigation, the DOD Defense Central Index of Investigations, the DOD Personnel Investigations Center, and other agencies as appropriate.

15. **FIELD ELEMENT.** A Departmental component located outside the Washington Metropolitan area.
16. **FOREIGN INTEREST.** A foreign interest is defined as any of the following:
 - a. Any foreign government, agency of a foreign government, or representative of a foreign government;
 - b. Any form of business enterprise or legal entity organized under the laws of any country other than the U.S. or its possessions;
 - c. Any person who is not a U.S. citizen or national of the U.S. (An "intending citizen" and a foreign-owned U.S. company are excluded from the definitions of a foreign interest).
17. **FOREIGN NATIONAL.** Any person who is not a U.S. citizen or a U.S. national.
18. **FOREIGN OWNERSHIP, CONTROL OR INFLUENCE (FOCI).** FOCI exists when an offeror/bidder or contractor proposing to performing work for DOE involving access to classified information and/or a significant quantity of SNM has an institutional or personal relationship with a foreign interest(s). An offeror/bidder or contractor is considered to be under FOCI when the degree of interest as defined above is such that a reasonable basis exists for concluding that compromise of classified information and/or a significant quantity of SNM may result.
19. **LIMITED FACILITY CLEARANCE (FORMERLY "RECIPROCAL" CLEARANCE).** A mechanism used by DOD, but not DOE, through which foreign interests can own U.S. defense companies. Limited Facility Clearances severely restrict a company's access to classified information (e.g., not valid for access to Top Secret information, Restricted Data, Formerly Restricted Data, Communications Security information, Arms Control and Disarmament Agency classified information, information that has not been determined releasable by designated U.S. Government disclosure authorities to the country from which the ownership is derived, etc.)
20. **NOMINEE SHARE.** A share of stock or registered bond certificate which has been registered in a name other than the actual owner.
21. **OPERATIONS OFFICE.** The primary management and staff field element with delegated responsibility for oversight and program management of major facilities, programs, and operations. The following elements are defined as DOE Operations Offices: Albuquerque, Chicago, Idaho, Nevada, Oak Ridge, Richland, San Francisco, and Savannah River.
22. **PARENT.** A corporation or other entity that controls another corporation or other entity by the power to elect its management.
23. **PRINCIPAL OFFICERS.** The term principal officer when used with reference to this Order means those officials responsible for managing the business and affairs of the organization (e.g., President, Chief Executive Officer, Secretary, and Treasurer, and those occupying similar positions).

24. **PROCUREMENT REQUEST ORIGINATOR.** The individual responsible for initiating a requirement on DOE F 4200.33, "Procurement Request Authorization."
25. **PROXY.** One who acts for another. Also, the document by which such a representative is authorized to act. In reference to voting at a meeting of corporation's stockholders, an authorization by a stockholder giving to the corporate management (or to an opposition group) the right to vote the shares held by the individual stockholder. In most states the members of the board of directors cannot vote by proxy.
26. **REPRESENTATIVE OF FOREIGN INTEREST (RFI).** A citizen or national of the U.S., or an intending citizen to the U.S., who is acting as a representative of a foreign interest.
27. **REPRESENTATIVE OF FOREIGN INTEREST STATEMENT.** (See "Representative of Foreign Interest (RFI)"). A statement required to be submitted by the contractor of an employee who possesses or is being processed for a DOE security clearance who becomes an RFI or whose status as an RFI changes in a manner that would make him/her ineligible for a security clearance.
28. **SAFEGUARDS AND SECURITY ACTIVITY.** Any work performed under contract, subcontract, or other agreement which involves access to classified information, nuclear material, or DOE property of significant monetary value by DOE, a DOE contractor, or any other activity under DOE jurisdiction. Also included is the verification of the capabilities of approved Federal locations.
- ~~29. SAFEGUARDS AND SECURITY INFORMATION MANAGEMENT SYSTEM (FORMERLY SAFEGUARDS AND SECURITY ISSUES INFORMATION SYSTEM AND THE MASTER FACILITY REGISTER).~~ An automated system used to record facility approvals, facility administrative information, inspection findings, and corrective actions.
30. **SERVICING SAFEGUARDS AND SECURITY OFFICE.** The DOE Headquarters or field safeguards and security office which is responsible for providing support/assistance and implementation/oversight pertaining to security requirements at a DOE organization.
31. **SPECIAL NUCLEAR MATERIAL (SNM).** Plutonium, uranium-233, or uranium enriched in the isotope 235, and any other material which, pursuant to the provisions of Section 51 of the Atomic Energy Act of 1954, as amended, has been determined to be special nuclear material, but which does not include source material; or it also includes any material artificially enriched by any of the foregoing, not including source material.
32. **SPECIAL SECURITY AGREEMENT.** A mechanism used by DOD, but not DOE, through which foreign interests can own U.S. defense companies. A Special Security Agreement restricts a company's access to the following types of information unless DOD obtains approval from the cognizant U.S. agency with jurisdiction over the information involved: Top Secret information, Restricted Data, Formerly Restricted Data, Communications Security information, Sensitive Compartmented Information, and Special Access Program information.
33. **TIER PARENT.** A corporation or other entity that controls another corporation or other entity by the power to elect its management. The

control may exist by direct ownership of the corporation or other entity or by indirect ownership through one or more levels of ownership of corporation(s) or other entity(ies).

34. **UNAUTHORIZED DISCLOSURE.** A communication or physical transfer of classified information to an unauthorized recipient.
35. **U.S. ORGANIZATION.** Any individual, corporation, or organization located in the U.S. or its territorial areas which is organized, chartered, or incorporated under the laws of the U.S.
36. **VOTING TRUST AGREEMENT.** A legal device whereby the true owners of a block of stock transfer nominal ownership to one or more disinterested individuals which they are to keep, use, or administer for the financial benefit of the owners. The true owners surrender all of the normal prerogatives of management to the trustees.



Cameco Corporation

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2007

Dated March 28, 2008

**Cameco Corporation
Annual Information Form**

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REPORTING CURRENCY AND FINANCIAL INFORMATION

All monetary 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 Company's Form 40F, filed with the US Securities and Exchange Commission, for the fiscal year ended December 31, 2007, as well as in reconciliation to United States GAAP filed with the Canadian securities authorities on SEDAR.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Statements contained in this Annual Information Form and in the documents incorporated by reference which are not current statements or historical facts are "forward-looking information" (as defined under Canadian securities laws) and "forward-looking statements" (as defined in the U.S. Securities Exchange Act of 1934, as amended) which may be material and that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by them. Sentences and phrases containing words such as "believe", "estimate", "anticipate", "plan", "predict", "goals", "targets", "projects", "may", "hope", "can", "will", "shall", "should", "expect", "intend", "is designed to", "continues", "with the intent", "potential", "strategy" and the negative of these words, or variations of them, or comparable terminology that does not relate strictly to current or historical facts, are all indicative of forward-looking information and statements. Examples of forward-looking information and statements include, but are not limited to: the expected dates for completion of dewatering and resumption of production at Cigar Lake (along with related cost estimates), the target date for the resumption of UF₆ production at Port Hope, mineral resource and mineral reserve estimates and uranium and gold production forecasts.

There are material risk factors that could cause actual results to differ materially from the forward-looking information and statements contained in this Annual Information Form. Factors that could cause such differences include, without limitation: the impact of the sales volume of fuel fabrication services, uranium, conversion services, electricity and gold; volatility and sensitivity to market prices for uranium, conversion services, electricity and gold; competition; the financial results and operations of Bruce Power LP and Centerra Gold Inc.; the impact of change in foreign currency exchange rates (such as Canadian/US rates) and interest rates; imprecision in production, cost (including capital cost), decommissioning, reclamation, reserve and tax estimates; the impact of significant cost increases, in particular capital cost increases; litigation or arbitration proceedings (including as the result of disputes with suppliers, customers or joint venture partners); inability to enforce legal rights; defects in title; environmental, safety and regulatory risks including increased regulatory burdens, long-term waste disposal and the risk of uranium and production-associated chemicals affecting the soil at the Port Hope UF₆ conversion plant and other sites; unexpected or challenging geological or hydrological conditions (including at the McArthur River, Cigar Lake, Rabbit Lake and Kumtor deposits); adverse mining conditions; reduction in reserves due to geotechnical or other risks; political risks arising from operating in certain developing countries (including the Kyrgyz Republic, Kazakhstan and Mongolia); nationalization risk; terrorism; sabotage; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including tax and trade laws and policies (including new legislation in Kazakhstan allowing the government to renegotiate previously signed agreements); demand for nuclear power; replacement of production (including through placing Inkai and Cigar Lake into production, transitioning to new mining zones at McArthur River beginning in 2009, and overcoming geotechnical challenges at the Kumtor deposit); failure to maintain or construct sufficient tailings capacity for uranium and gold production; the risk of uranium and conversion service providers failure to fulfill delivery commitments or to require material amendments to agreements relating thereto (including the Russian HEU Agreement); failure to obtain or maintain 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; natural phenomena including inclement weather conditions, fire, flood, underground floods, earthquakes, pit wall failure (including further highwall ground movement at the Kumtor mine), tailings pipeline and dam failures, and cave-ins; ability to maintain and further improve positive labour relations; strikes or lockouts; operating performance, disruption in the operation of, and life of the company's and customers' facilities; availability of

reagents and supplies critical to production (including the availability at the company's operations in Kazakhstan); decrease in electrical production due to planned outages extending beyond their scheduled periods or unplanned outages; success and timely completion of planned development and remediation projects (including the remediation of and return to pre-flood construction and development at Cigar Lake and the remediation of, and resumption of production at, the Port Hope UF₆ conversion plant); the success and timely completion of the replacement of the Kuntor ball mill shell; failure of radiation protection plans; and other development and operating risks. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors are not intended to represent a complete list of the material risk factors that could affect Cameco. Additional risk factors are noted elsewhere in this Annual Information Form and Cameco's current annual Management Discussion & Analysis.

Forward-looking information and statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of material adverse changes in the ability of Cameco's business units to supply product and services, other than as disclosed; there being no disruption of supply from third party sources; there being no significant changes in current estimates for sales volume, purchases and prices for uranium, conversion services, electricity, and gold; the expected spot prices and realized prices for uranium; the average gold spot price; Cameco's effective tax rate; there being no significant adverse change in foreign currency exchange rates or interest rates; there being no significant changes in production, cost (including capital cost), decommissioning, reclamation and reserve estimates; there being no significant changes in Cameco's ability to comply with current environmental, safety and other regulatory requirements, and the absence of any material increase in regulatory compliance requirements; Cameco's ability to obtain regulatory approvals in a timely manner; the status of geological, hydrological and other conditions at Cameco's and Centerra's mines; the absence of any material adverse effects arising as a result of political instability, terrorism, sabotage, natural disasters, adverse changes in government legislation, regulations or policies, or litigation or arbitration proceedings; continuing positive labour relations, and that no significant strikes or lockouts will occur; and the success and timely completion of planned development and remediation projects and the replacement of production. Forward-looking information and statements are also based upon the assumption that none of the identified material risk factors that could cause actual results to differ materially from the forward-looking information and statements will occur.

The forward-looking information and statements included in this Annual Information Form represent Cameco's views as of the date of this Annual Information Form and should not be relied upon as representing Cameco's views as of any subsequent date. While Cameco anticipates that subsequent events and developments may cause its views to change, Cameco specifically disclaims any intention or obligation to update forward-looking information and statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable securities laws. Forward-looking information and statements contained in this Annual Information Form about prospective results of operations, financial position or cash flows that is based upon assumptions about future economic conditions and courses of action is presented for the purpose of assisting Cameco's shareholders in understanding management's current views regarding those future outcomes, and may not be appropriate for other purposes.

There can be no assurance that forward-looking information and statements will prove to be accurate, as actual results and future events could vary, or differ materially, from those anticipated in them. Accordingly, readers of this Annual Information Form should not place undue reliance on forward-looking information and statements. Forward-looking information and statements for time periods subsequent to 2008 involve greater risks and require longer term assumptions and estimates than those for 2008, and are consequently subject to greater uncertainty. Therefore, the reader is especially cautioned not to place undue reliance on such long-term forward-looking information and statements.

NOTE REGARDING RESERVES AND RESOURCES

Reserves and resources reported herein have been estimated as at December 31, 2007 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum and incorporated into National Instrument 43-101 (see *Definitions* below). Estimates of uranium reserves and resources were prepared by or under the supervision of the qualified persons identified at *The Nuclear Business – Reserves and Resources* below. Estimates of gold reserves and resources were prepared by or under supervision of the qualified person identified at *Centerra Gold Inc. – Reserves and Resources* below. Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

Cameco reports its reserves and resources in accordance with National Instrument 43-101, as required by Canadian securities regulatory authorities. For US reporting purposes, Industry Guide 7 under the Securities Exchange Act of 1934 (as interpreted by the Staff of the US Securities and Exchange Commission) applies different standards in order to classify mineralization as a reserve.

For the purpose of estimating uranium reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of \$49.00 (US) per pound U₃O₈ was used. For the purpose of estimating reserves in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of \$59.00 (US) per pound U₃O₈ was used. Estimated uranium reserves are the same using either uranium price.

For the purpose of estimating gold reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, reserves were calculated with cut-off grades based on a gold price of \$550 (US) per ounce.

Mineral resources are not mineral reserves and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated mineral resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resources. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to enable them to be categorized as mineral reserves. There is no certainty that mineral resources will be upgraded to mineral reserves through continued exploration.

Although Cameco has carefully prepared and verified the mineral reserve figures presented in this Annual Information Form, such figures are estimates, which are, in part, based on forward-looking information, and no assurance can be given that the indicated levels of uranium and gold will be produced. See "Caution Regarding Forward-Looking Information and Statements" and "Risk Factors".

Definitions

A **mineral resource** is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial materials in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

An **inferred mineral resource** is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes.

An **indicated mineral resource** is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A **measured mineral resource** is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing

information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough to confirm both geological and grade continuity.

A *mineral reserve* is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proven mineral reserves.

A *probable mineral reserve* is the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A *proven mineral reserve* is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

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”). Pursuant to the Reorganization, 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.

Cameco’s articles, pursuant to the requirements of the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada), as amended, and *The Saskatchewan Mining Development Corporation Reorganization Act*, contain certain constraints and restrictions. For a description of them, please see *Description of Securities*.

In 2002, Cameco’s articles were amended to increase the individual non-resident maximum share ownership from 5% to 15% and to increase the limit on aggregate non-resident ownership voting rights from 20% to 25%. The articles were amended in 2003 to permit the board to appoint one or more directors between meetings of shareholders as permitted by the CBCA, subject to certain limitations, and to remove the requirement that the chairman of the board must be ordinarily resident in the province of Saskatchewan.

Cameco’s head office, registered office and principal place of business is located at 2121 - 11th 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.

Cameco through subsidiaries owns 100% of Cameco Europe Ltd., a Swiss company which is a party to the HEU Commercial Agreement. Under that agreement, Cameco Europe Ltd. has contractually committed supplies of 43 million pounds of uranium over the period January 1, 2008 to December 31, 2013.

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

Cameco through a subsidiary also owns 52.7% of Centerra Gold Inc. ("Centerra"), a Canadian company that is the largest western-based gold producer in Central Asia and the former Soviet Union.

No other subsidiaries are individually or collectively material.

GENERAL DEVELOPMENT OF THE BUSINESS

Cameco is the world's largest uranium producer. It is publicly traded on the Toronto and New York stock exchanges. 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 and uranium conversion services. Cameco is also one of the four significant converters of uranium concentrates ("U₃O₈") to uranium hexafluoride ("UF₆") in the western world,¹ the only commercial supplier of services to convert uranium concentrates to uranium dioxide ("UO₂") in the western world, and, through a subsidiary, one of two Canadian commercial suppliers of fuel fabrication services for CANDU reactors. Cameco subsidiaries have a 31.6% limited partnership interest in Bruce Power that leases and operates four Bruce B reactors. The Company continues to explore for uranium in a number of countries.

While Cameco continues its principal focus on the nuclear business, it also owns 52.7% of Centerra, the largest western-based gold producer in Central Asia and the former Soviet Union, which is publicly traded on the Toronto Stock Exchange. Centerra operates, and has a 100% interest in, two producing gold mines, the Kumtor mine in the Kyrgyz Republic and the Boroo mine in Mongolia.

Three-Year Highlights

Major developments in Cameco's business in each of the fiscal years ended December 31, 2005 to December 31, 2007 were as follows:

2005

- Construction at Cigar Lake began in early 2005.
- In March 2005, Cameco entered into a 10-year toll-conversion agreement with British Nuclear Fuels plc ("BNFL") to purchase all of the uranium conversion services produced at BNFL's Springfields U.K. plant.
- Regulatory approvals were received and initial foundation work began for the commercial uranium mine facility located at Inkai, Kazakhstan and Cameco agreed, subject to executing formal amendments (which were executed in 2006), to increase its loan to the joint venture to a maximum of \$100 million (US). In 2007, the loan was increased to \$200 million (US).
- In October 2005, the ownership interests in Bruce Power were restructured. Cameco's 31.6% Bruce Power interest now includes only the four Bruce B units and not the four Bruce A units. Cameco elected not to invest in the planned \$4.25 billion program to increase output from the A units.

Note:

¹

In this Annual Information Form when the term "western world" is used, it includes Argentina, Australia, Belgium, Brazil, Canada, Czech Republic, Finland, France, Gabon, Germany, Hungary, India, Indonesia, Japan, Lithuania, Mexico, Namibia, Netherlands, Niger, Pakistan, Philippines, Portugal, Romania, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom and United States.

- Due to incremental changes in Bruce Power's governing limited partnership agreement, which resulted in joint control among the three major limited partners, effective November 1, 2005, Cameco began to proportionately consolidate Bruce Power's financial results rather than account for them using the equity method.
- In December 2005, Cameco sold its 6.7% interest in Energy Resources of Australia Ltd., an Australian uranium producer, for gross proceeds of \$121 million (Aus). Net proceeds to Cameco after transaction fees and taxes were approximately \$87 million (Cdn).

2006

- In January 2006, Cameco announced that, based upon updated reserves estimates and current mining plans, the Kumtor mine life has been extended by almost three years and the Boroo mine life has been extended by more than one year.
- In January 2006, Cameco announced that its board of directors approved a two-for-one stock split of its outstanding common shares. The board of directors also approved an increase in the annual dividend from \$0.12 to \$0.16 beginning in 2006 (both annual dividend amounts adjusted for the stock split).
- In February 2006, Cameco completed the purchase of 100% of Zircatec Precision Industries, Inc., ("Zircatec") a Canadian manufacturer of nuclear fuel bundles. The purchase price was \$109 million.
- In April 2006, Cameco announced a significant water inflow into the second Cigar Lake shaft. The inflow had no impact on other parts of the mine because the second shaft was not connected to the mine. To remediate the inflow, Cameco may freeze the shaft area, subject to regulatory approval.
- In July 2006, Cameco announced that a pit wall ground movement had occurred at the Kumtor mine site, involving a significant portion of the northeast wall. The ground movement did not reduce the amount of reserves; however, it did significantly reduce 2006 Kumtor production. The fallen rock delayed access to the ore from this area of the mine representing about 125,000 ounces of scheduled 2006 production.
- In October 2006, Cameco announced that a second water inflow had occurred at Cigar Lake, filling the underground development areas of the project with water. Production start up was previously planned for early 2008. Cameco has commenced work at Cigar Lake to remediate the underground development areas.
- In November 2006, Cameco announced that unionized employees at its McArthur River and Key Lake uranium operations accepted a new contract, which will expire December 31, 2009.
- In December 2006, Cameco announced that Centerra had reached an agreement on all material terms of a labour agreement with Kumtor unionized employees. The agreement will expire December 31, 2008.
- In December 2006, Cameco announced that its board of directors approved an increase in the annual dividend from \$0.16 to \$0.20 beginning in 2007.

2007

- In March 2007, Cameco provided an update on the Cigar Lake project including that: (i) production start-up was targeted for 2010, subject to regulatory approval and timely remediation (now targeted for 2011, at the earliest); (ii) Cameco's share of capital costs, including mill modifications, to bring Cigar Lake into production was estimated at \$508 million including \$234 million spent on construction as of March 2007, leaving \$274 million remaining; and (iii) Cameco's share of flood remediation expenses was estimated at \$46 million.

- In July 2007, Cameco announced that unionized employees at Zircatec accepted a new contract, which will expire in June 2009, and that unionized employees at its conversion facility in Port Hope, Ontario accepted a new contract, which will expire in June 2010.
- In July 2007, Cameco announced a reduction in Centerra's 2007 gold production forecast at the Kumtor mine, from 450,000 ounces of gold to 300,000 ounces.
- In July 2007, Cameco announced that it had discovered contamination of the soil under its UF₆ conversion plant in Port Hope and suspended operations to conduct a thorough investigation. See "Nuclear Business-Uranium Fuel Conversion Services - Operations" for a discussion of the actions Cameco has taken in response to this incident and to resume operation of the Port Hope UF₆ conversion plant.
- In August 2007, Cameco announced that Cameco and Centerra had signed binding agreements with the government of the Kyrgyz Republic which were aimed at providing additional business certainty for mining operations at Centerra's Kumtor mine. Implementation of the binding agreements requires Kyrgyz parliamentary approval. The deadline for closing these agreements was subsequently extended until February 15, 2008 as a result of the dissolution of the Parliament of the Kyrgyz Republic in October 2007. The closing deadline has been further extended to April 30, 2008.
- In September 2007, Cameco announced its intention to proceed with a normal course issuer bid to repurchase for cancellation up to approximately 17.7 million (5%) of its common shares. This program will continue until September 2008 unless Cameco purchases the maximum allowable number of common shares sooner or terminates the program. As at December 31, 2007, 9,755,300 common shares had been repurchased under this program at a cost of \$429,327,000.
- In November 2007, Cameco announced that it had temporarily reduced underground activities at Rabbit Lake due to an increase of water inflow from a mining area as a precautionary measure. In late December, Cameco resumed normal mining activities after sealing off the source of the water inflow.

2008 Expected Material Developments

Material developments that, at the date of this Annual Information Form, Cameco expects to occur in 2008, or that have occurred prior to this date, relate to: the expected dewatering of the Cigar Lake mine; expected remediation and resumption of production at Cameco's Port Hope UF₆ conversion plant; expected closing of the August 2007 binding agreements with Centerra and the government of the Kyrgyz Republic; and expected amendment of the HEU Agreement's pricing structure for part of the remaining six year term of the agreement. These material developments are discussed in more detail in this Annual Information Form and in the Company's management's discussion and analysis for the fiscal year-ended December 31, 2007 ("2007 MD&A"), which is incorporated herein by reference. These expected material developments are not about present or historical facts and are therefore forward-looking information. This forward-looking information is based upon a number of assumptions that may prove to be incorrect, and there are material risk factors that may cause actual results to differ materially. See "Caution Regarding Forward-Looking Information and Statements", "The Nuclear Business - Development Projects - Cigar Lake and Nuclear Fuel Conversion Business - Operations", "Centerra Gold Inc" and "Risk Factors" for disclosure of the key assumptions and material risk factors that could cause actual results to vary materially.

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 2016,

primarily as a result of new reactor construction 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: (a) uranium exploration; (b) mining and milling; (c) refining and conversion; (d) enrichment; and (e) fuel fabrication (also known as fuel manufacturing). Once a commercial uranium deposit is discovered and reserves delineated, regulatory approval to mine is sought. Following regulatory approval, the mine is developed and uranium ore is extracted and upgraded at a mill to produce uranium concentrate. Mining companies usually sell uranium concentrate to electrical generating companies ("utilities") around the world on the basis of the U_3O_8 contained in the uranium concentrate. 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 concentrate; (b) supplying uranium refining and conversion services to produce UO_2 and UF_6 ; (c) purchasing uranium, uranium conversion and enrichment services from third parties; (d) supplying fuel manufacturing services for CANDU reactors; (e) selling produced and acquired uranium and uranium conversion services, as well as acquired enrichment services, to utilities; and (f) the generation and sale of electricity through its 31.6% limited partnership interest in Bruce Power, which leases and operates the four Bruce Power B reactors.

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. World annual uranium fuel consumption has increased from approximately 75 million pounds U_3O_8 in 1980 to about 174 million pounds in 2007. Cameco estimates that annual uranium fuel consumption in the world will reach 226 million pounds in 2017, reflecting an annual growth rate of almost 3% 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.

Supply

Uranium supply sources include primary mine production and secondary sources such as excess inventories, uranium made available from defence stockpiles and 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 European countries from inventories, reprocessed used reactor fuel, re-enriched depleted uranium tails 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 2006 (the latest year for which figures are available), 86% of the estimated world production of 103 million pounds U_3O_8 was provided by eight producers: Cameco, Rio Tinto, AREVA, KazAtomProm, TVEL in Russia, BHP Billiton, NAVOI Mining Metallurgical Kombinat in Uzbekistan and Uranium One. Approximately 92% of estimated world production was sourced from eight countries (in order of production, from greatest to least): Canada, Australia, Kazakhstan, Niger, Russia, Namibia, Uzbekistan, and the US.

The Canadian uranium industry has, in recent years, been the leading supplier with production of approximately 26 million pounds U_3O_8 in 2006, equivalent to about 25% of world production. Production from Cameco operated mines in Canada and the US in 2007 was approximately 25 million pounds. Cameco's share of this production was approximately 20 million pounds.

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

Secondary Sources

Each year since 1985, world uranium production has been less than 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. In addition, in recent years, re-enriched depleted uranium tails have been generated using excess enrichment capacity. Cameco estimates these two recycling sources will meet about 7% of world demand to 2017. As well, uranium derived from the dismantling of Russian nuclear weapons (expected to be available through 2013 when the current agreement ends) has also become a significant source of supply, expected to meet about 6% of world demand to 2017. Finally, a limited amount of uranium from the US defence program has been introduced into the market in 2007 compared to 2006. Cameco expects about 3% of world demand to 2017 will be met from secondary supply held by US Department of Energy ("DOE"), including excess uranium from the US defence program.

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 Russian 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 U_3O_8 ("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 2007 was 18 million pounds and thereafter will increase by 1 million pounds per year to a maximum of 20 million pounds per year beyond 2008.

Certain of the Russian Disarmament Uranium has been purchased by the DOE. DOE currently holds a stockpile of 58 million pounds U_3O_8 equivalent, containing both this and US material that is to be withheld from the market until 2009, as a condition of the Russian HEU Agreement.

In July 2007, DOE provided an update on their level of inventory excess to program requirements, amounting to 160 million pounds U_3O_8 equivalent. This uranium, which includes the 58 million pound stockpile, is expected to be made available to the market over the next 30 years. At that time, the DOE stressed the need to dispose of the inventories without disruption to commercial markets and requested the US nuclear industry suggest a plan for disposal of these inventories. Late in the year industry participants, including Cameco, proposed a set of principles for DOE inventory disposition. The principles included a quota limiting sales to one million pounds U_3O_8 equivalent in 2008 and gradually increasing to about five million pounds U_3O_8 equivalent in 2013 and 2014. It was also suggested that 20 million pounds be made available for initial cores for new US reactors and a strategic reserve of 20 million pounds U_3O_8 equivalent in the form of low enriched uranium ("LEU") be established for use only in a national energy emergency. In general, the DOE reacted favourably to the proposal. In March 2008, the DOE issued a policy statement which outlined a general framework within which it will manage its surplus uranium inventories, which policy did not specifically address the principles proposed by the industry participants. The DOE has not finalized a long-term detailed plan for the disposition of its uranium inventories.

Russia plans to deliver LEU from 30 tonnes of HEU, about 24 million pounds U_3O_8 equivalent per year, until the Disarmament LEU derived from the entire 500 tonnes (about 400 million pounds U_3O_8 equivalent) included under the Russian HEU Agreement has been delivered to the US. To the end of 2007, about 253 million pounds U_3O_8 equivalent had been delivered.

HEU Commercial Agreement

On March 24, 1999, a Cameco subsidiary, along with Compagnie Generale des Matieres Nucleaires (now called "AREVA"), RWE Nukem Inc. of the United States and its affiliate RWE Nuklear GmbH of Germany (collectively "the Western Companies") signed an agreement (such agreement, as subsequently amended, the "HEU Commercial Agreement") with Joint Stock Company Technobexport ("Tenex"), the commercial arm of the Russian Ministry for Atomic Energy, under which the Western Companies were granted options to purchase a majority of the Disarmament Uranium. The Cameco subsidiary that is currently a party to the HEU Agreement is Cameco Europe Ltd.

On November 16, 2001, Tenex and the Western Companies signed an amendment to the HEU Commercial Agreement. Under the terms of the amendment, the Western Companies committed to exercise their options to purchase a quantity of uranium (about 124 million pounds U_3O_8) equal to their share of the annual quota under the USEC Privatization Act for the period 2002 to 2013. A Cameco subsidiary's share was 53 million pounds. Tenex retained about 82 million pounds to sell under its share of the US quota. The Western Companies have exclusive options to purchase the balance of the Disarmament Uranium. From 2001 to 2003, a Cameco subsidiary exercised options for an additional 18 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 seven million pounds U_3O_8 equivalent annually for blending down HEU to Disarmament LEU. Pursuant to the 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 U_3O_8 equivalent, Russia is permitted to sell the excess into supply contracts in existence on March 24, 1999, mainly with utilities in Eastern Europe.

On June 16, 2004, the HEU Commercial Agreement was further amended to provide, among other things, that the Western Companies will forego a portion of their future options on non-quota HEU-derived uranium (i.e., quantities for consumption outside the US) to ensure there is sufficient material in Russia for blending down HEU to commercially usable LEU. This amendment was due to Russia's rising requirements for uranium to fuel its expanding nuclear plant construction program within Russia and abroad. This amendment resulted in the Western Companies exercising most of their options under the HEU Commercial Agreement, giving them firm purchase commitments for almost 163 million pounds of uranium from 2004 through to the end of 2013.

Due to this further amendment, as well as Tenex's 2003 decision to end further sales of its share of this material and return it to Russia, the amount of HEU-derived uranium that would have been available to the market in the western world was reduced by about 74 million pounds in the period 2004 through 2013, along with the contained conversion component of some 28 million kilograms of uranium as UF_6 . The 74 million pounds is made up of about 30 million pounds of Tenex material that will be returned to Russia and 44 million pounds that was in the monitored stockpile as of the end of 2003. At the end of 2007, Cameco estimates there was 18 million pounds in the monitored stockpile.

In October 2007, Tenex requested the Western Companies to enter into discussions regarding the pricing structure for the last few years of the remaining six-year term of the HEU Commercial Agreement. These discussions have commenced.

Trade Restraints and Policies

As a result of anti-dumping proceedings brought in the early 1990s, the US and certain countries entered into suspension agreements to limit access to the US market. Only the suspension agreement with Russia remains in effect. In February 2008, the United States Department of Commerce and Russia signed an amendment to the Russian suspension agreement, which allows for additional Russian supply directly to US utilities. The amendment sets out an annual LEU quota with very limited quantities in 2011 to 2013. Upon completion of the Russian HEU Agreement, in 2014 the quota increases to about 13 million pounds U_3O_8 equivalent through 2020. In addition to this quota, Russian uranium products may be supplied for initial cores in new US reactors.

The US restrictions have no effect on the sale of Russian uranium to other countries. About 70% of world uranium requirements arise from utilities in countries unaffected by the US restrictions. In 2007, approximately 48% of

Cameco's sales volume was to countries unaffected by the US restrictions. Utilities in some of these countries adopt policies that 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.

The Euratom Supply Agency ("ESA") in Europe, which must approve all uranium related contracts entered into by members of the EU, limits the use of nuclear fuel supplies from any one source in order to maintain security of supply (historically at an informal level of about 20%). In the 2006 Euratom Annual Report, the ESA stated they will continue to monitor the market to ensure diversity of supply and avoid overdependence on any single source, but noted that in recent years restrictions on imports of natural uranium have not been deemed necessary.

Prices

Utilities secure a substantial percentage of their uranium requirements by entering into long-term contracts with uranium producers. Uranium contract terms generally reflect market conditions at the time the contract is negotiated. These contracts usually provide for deliveries to begin two to five years after signing and continue for several years thereafter. In awarding these contracts, utilities consider the commercial terms offered, including price, as well as the producer's performance record and uranium reserves.

Prices are established by a number of methods including fixed prices adjusted by inflation indices, market prices (spot or long price indicators) and annual price negotiations. Many contracts also contain floor prices, ceiling prices and other negotiated provisions, such as discounts, that affect the price ultimately paid. For example, ceiling prices limit the upside potential of price movement, while floor prices establish a minimum price that will ultimately be paid. Instead of ceiling prices, some contracts may include a discount off the market price, when the market price reaches a threshold level. Prices under uranium supply contracts are usually confidential.

Utilities and other market participants also acquire uranium through spot 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, governments and others. Spot market demand in 2007 decreased to about 20 million pounds U_3O_8 from 35 million pounds U_3O_8 in 2006.

The industry average spot price for U_3O_8 , published by TradeTech and the U_x Consulting Company, LLC, increased by approximately 24% in 2007 ending the year at \$89.50 (US) per pound compared to \$72.00 (US) per pound at the end of 2006. The industry average long term price for U_3O_8 , as published by TradeTech and the U_x Consulting Company, LLC, increased in 2007 by approximately 32% ending the year at \$95.00 (US) per pound compared to \$72.00 (US) per pound at the end of 2006. As of February 29, 2008, the industry average spot and long term prices for U_3O_8 were \$73 (US) per pound and \$95 (US) per pound respectively.

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 long-term contracts with a diversified mix of pricing mechanisms, as described above.

Sales contracts historically contained 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. Recent contracts generally no longer provide such flexibility. In general, utilities purchase from multiple suppliers in order to diversify their sources. Cameco sells uranium concentrates for use by utilities in Argentina, Belgium, Canada, Finland, France, Germany, Japan, Romania, South Korea, Spain, Sweden, Taiwan, United Kingdom, and the US.

In 2007, approximately 35% of Cameco's U_3O_8 sales were to five customers. Cameco currently has commitments in excess of 300 million pounds U_3O_8 under long-term contracts with about 50 customers worldwide. Cameco's five largest customers account for approximately 46% of these commitments. 49% of Cameco's committed sales volume is to purchasers in the Americas (US, Canada and Latin America), 17% in the Far East and 34% in Europe.

The base load contracts put in place to support the development of Cigar Lake contain supply interruption language that allows Cameco to reduce, defer or cancel deliveries in the event of any delay or shortfall in Cigar Lake production. Cameco has been discussing with its customers the possible effect of the uranium production delay at Cigar Lake. For the Cigar Lake base load contracts with deliveries in 2007 and 2008, these volumes were deferred to the end of the various contracts. For contracts with deliveries beyond 2008, discussions will occur closer to the delivery date.

For the remainder of Cameco's contracts, no additional deferrals of deliveries resulting from the supply interruption provisions in these contracts is planned for 2008 as the impact of those provisions is expected to be minimal in this year. In 2007, Cameco deferred a portion of the deliveries impacted by these provisions for a five to seven-year period.

Cameco generally does not sell into the spot uranium market. However, in light of changing market conditions, Cameco is revisiting its approach. In the future, Cameco may elect to sell material directly into the spot market.

Cameco has purchased uranium under spot and long-term contracts and may make similar purchases in the future. At December 31, 2007, Cameco had firm commitments to purchase approximately 41 million pounds uranium equivalent over the 2008-2013 period, of which 39 million pounds is the result of the exercise of options under the HEU Commercial Agreement by Cameco Europe Ltd.

In 2006, Cameco entered into standby product loan agreements with two of its customers. These agreements have been terminated. More specifically, in 2007, Cameco terminated the arrangements with one of its customers that allowed the borrowing of up to 2,960,000 pounds of U₃O₈ equivalent and as a result recognized in its earnings \$41,645,000 of the revenues, and related costs, that had been deferred in 2006. In January 2008, Cameco gave notice to terminate the remaining loan agreement with the other customer. Cameco will recognize \$96,232,000 of deferred revenue, and related costs, in the first quarter of 2008. The related letter of credit facilities for these loan agreements have been cancelled.

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 recovery ("ISR") 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 blended with stockpiled mineralized waste from the McArthur River or Key Lake deposits. Mining at Key Lake ended in 1997.

The following table shows Cameco's share of uranium production (pounds U₃O₈) for the past three years. For Cameco's share of forecast uranium production over the period 2008 to 2012, see the Company's 2007 MD&A at "Uranium Supply Outlook."

	2005 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾
McArthur River ^{(2) (3)}	13,100,000	13,100,000	13,100,000
Rabbit Lake	6,000,000	5,100,000	4,000,000
Smith Ranch-Highland	1,300,000	2,000,000	2,000,000
Crow Butte	<u>800,000</u>	<u>700,000</u>	<u>700,000</u>
Total	<u>21,200,000</u>	<u>20,900,000</u>	<u>19,800,000</u>

Notes:

- (1) This does not include test mining production from Inkai. In 2007, the Inkai test mine produced 600,000 pounds (100% basis).
- (2) Milled at Key Lake.
- (3) McArthur River's CNSC license limits annual production to 18.7 million pounds (Cameco's share being 13.1 million pounds).

McArthur River

McArthur River in northern Saskatchewan 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%), AREVA (16.234%) and UEM (27.922%), a company equally owned by

Cameco and AREVA. Cameco is the operator. At December 31, 2007, the Company's share of proven and probable reserves was 535,100 tonnes of ore containing 243.7 million pounds U_3O_8 with an average grade of 20.7% U_3O_8 , its share of measured and indicated resources was 80,100 tonnes of ore containing 15.0 million pounds U_3O_8 with an average grade of 8.5% U_3O_8 , and its share of inferred resources was 408,100 tonnes of ore containing 66.2 million pounds U_3O_8 at an average grade of 7.4% U_3O_8 .

At an assumed annual production rate of 18.7 million pounds, Cameco estimates that McArthur River will have a mine life of at least 19 years with an expected payback of the capital invested by the end of 2009.

For a description of royalties payable to the province of Saskatchewan on the sale of uranium extracted from ore bodies within the province and taxes, see *Canadian Royalties and Certain Taxes*.

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 ore body 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 totalling 84,818 hectares.

The McArthur River uranium deposit is located in the area subject to mineral lease ML5516, totalling 1,380 hectares. Under this mineral lease Cameco acquired the right to mine this deposit. The current mineral lease expires in March 2014 with the right to renew for successive ten-year terms absent a default by Cameco.

Surrounding the McArthur River uranium deposit are 21 mineral claims, totalling 83,438 hectares. Title to the 21 mineral claims is secured until 2017. 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.

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 be shipped 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 throughout the 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, significant 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 are typical of the taiga forested lands 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 original joint venture partners 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, AREVA 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%. AREVA'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 were active from 1980 through to 1992. Significant mineralization of potentially economic uranium grades were first discovered as a result of surface drilling in the 1988 and 1989 exploration seasons. Surface drilling programs delineated a mineralized zone over 1,700 metres in length, occurring at depths ranging between 530 to 640 metres below surface.

Underground exploration began in 1993 and continued until 1997. Following review of the environmental impact statement, public hearings, and receipt of approvals from the governments of Canada and Saskatchewan, 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. 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. The third shaft is equipped as an emergency means of egress. The first and third shafts are also used for fresh air ventilation.

Geology and Mineralization

The McArthur River deposit is located in the south-eastern portion of the Athabasca basin, within the south-west part of the Churchill structural province of the Canadian Shield. The crystalline basement rocks underlying the deposit are members of the Apebian 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 x 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.

The data from underground exploration drill holes have been interpreted and estimates of mineral reserves and resources have been made in four mineralized zones (zones 1 to 4). In addition to this drilling, hundreds of freeze holes and raise bore pilot holes have provided data supporting the interpretation.

Underground drilling programs have further delineated approximately 750 metres of the 1,700-metre mineralized zone delineated by surface drilling. Underground delineation drilling is ongoing south of the current four mineralized zones.

Surface exploration drilling was conducted in 2005 and 2006 to the north to test the extension of mineralization previously identified from historical surface drill holes and to also test new targets along strike. In 2007, surface diamond drilling to evaluate the P2 trend north of the McArthur River mine was undertaken. In total, almost 13,000 metres were drilled in 25 drill holes comprising a combination of conventional and directional drilling. The P2 trend has now been tested at approximately 200-metre intervals for a distance of three kilometres north of the mine. Results continue to be encouraging.

Tunnelling of a north exploration drift was conducted in 2007 to follow up on the surface exploration drilling results. The north exploration development will continue through 2008, followed by an underground diamond-drilling program to delineate targets previously identified from surface in order to develop mine plans.

Cameco is satisfied with the quality of data obtained from the surface exploration and underground drilling at McArthur River and considers it valid for use in the estimate of mineral resources and mineral reserves at McArthur River. This is supported by the annual reconciliation of the mine production to within 6% of the estimate of pounds of uranium for the last two years.

Mine Operations

Three 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" and a "Permit to Operate Waterworks" from the Saskatchewan Ministry of Environment ("SMOE"). These permits are current. The CNSC licence expires on October 31, 2008. The SMOE approvals expire on October 31, 2009. Cameco has submitted a request to renew its CNSC operating licence for a five-year term.

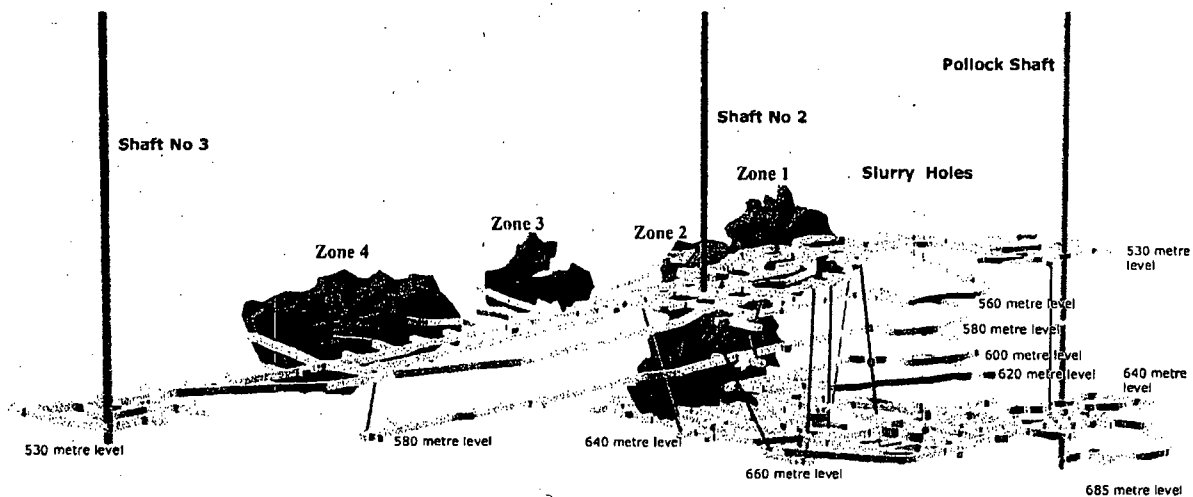
The mining of the McArthur River deposit faces many challenges including control of groundwater, weak rock formations, and radiation protection. Based on these challenges, it was identified that non-entry mining methods, including the raise boring method, would be required to mine the deposit.

The sandstones that overlay the basement rocks contain significant amounts of water, which is at hydrostatic pressure. Water flow into the mine area is generally prevented by ground freezing. Ore extraction is performed by the raise boring method, with broken ore falling to the extraction level. A line-of-sight remote controlled loader transports the ore to a 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 pumped 680 metres to surface for storage in four ore slurry holding tanks. Ore is drawn out of the ore slurry holding tanks and 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 been bored through the ore zone, it is backfilled with concrete. 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.

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 July 2003 for mine production to resume. The excess water inflow was sealed off in July 2004. Permanent water treatment capacity was expanded to about 750 cubic meters per hour. During the water inflow incident, additional temporary capacity was put in place to treat the water flows. Construction was completed in 2005 to increase the permanent and contingency water treatment capacity to about 1,500 cubic meters per hour.

Cameco is working on the transition to new mining zones at McArthur River, including mine planning and development. Currently, only zone 2 is being mined. Zone 2 is divided into four panels (panels 1, 2, 3 and 5).



The McArthur River mine schematic above illustrates the location of the four mining zones with reserves

As extraction of zone 2 (panels 1, 2 and 3) progresses, Cameco expects to place zone 1, zone 2 (panel 5) and the lower mining area of zone 4 into production by 2009, subject to regulatory approval. Cameco plans to continue using the raise bore method to extract ore in these zones.

All tunnels have been developed for zone 1. At zone 2 (panel 5) and lower zone 4, freeze hole drilling and tunnel construction commenced in 2006 and continued in 2007. Significant advances in the freeze drill program were made in 2007 in zone 2 and the accessible portion of lower zone 4. Lower zone 4 development continues to advance, but slower than previously planned in order to reduce the risk of water inflows. The lower zone 4 area is currently forecast to begin production during the second half of 2009. The Company is developing options to access other mining zones if needed.

The mining method for some portions of the ore body, other than zone 1, zone 2 (panels 1, 2, 3 and 5) and the lower mining area of zone 4, will not be the raise boring method. Alternate mining methods in the current plans for these portions of the ore body include boxhole boring, jet boring and blasthole stopping.

In 2005, Cameco determined that the boxhole mining method would be better suited for the upper zone 4 at McArthur River, because it allows development from a preferred location. The Company plans to use this method for production from upper zone 4 beginning in 2012. Boxhole boring is used to excavate an ore body where there is limited or no access from above. The machine is set up on the lower level and a raise is bored upward into the ore body. The ore and rock are carried by gravity down the hole, and are deflected away from the machine. Boxhole boring is a mining

development technique used around the world; however, it would be a first in uranium mining as a production method. The Company has some experience with boxhole boring as it previously tested the boxhole method at Rabbit Lake and Cigar Lake.

Technical challenges associated with this mining method include reaming through frozen ground, raise stability (due to thawing from reaming and backfill), controlling raise deviation, reaming through backfilled raises and control of radiation exposure. Accordingly, the Company has scheduled a long lead-time for implementation to ensure the technical challenges are understood and risks mitigated. Until Cameco has fully developed and tested the boxhole boring method at McArthur River, there is uncertainty in the estimated productivity. A team has been assembled at McArthur River to develop the boxhole method. Design of specialized components was completed in 2007, along with mine planning of the test area. Delivery of the boxhole boring machine, which was ordered in late 2006, is anticipated for the first half of 2008. Initial test boring in waste rock is planned for the second half of 2008 after development of the test area. Cameco continues to develop detailed plans for this mining method.

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 AREVA. In 2007, 18.7 million pounds U_3O_8 (Cameco's share was 13.1 million pounds) was produced by toll milling McArthur River ore at Key Lake. Average mill metallurgical recovery for 2007 was 98.38%.

At the Key Lake mill, McArthur River ore is blended with low grade mineralized material down to approximately 4% U_3O_8 . The uranium in the blended ore is then dissolved in a leaching circuit. The resulting uranium bearing solution is separated from the barren ore solids in a counter-current decantation circuit and is further concentrated in a solvent extraction circuit. The uranium is precipitated out of solution by the addition of ammonia, producing ammonium diuranate that is thickened and centrifuged before the uranium is transferred to a calciner. The calciner dries and calcines the uranium before it is packed into 200 litre drums. The final product is about 99% U_3O_8 .

In 2006 and a part of 2007, mill process difficulties were encountered associated with higher levels of concrete dilution in the mill feed stream. Sand filters were installed in 2006 and while this equipment improved the clarity of the uranium solution, very fine particles carrying organic material to the water treatment circuit were not removed. The organic carryover resulted in effluent quality that required re-treatment in order to achieve acceptable standards for release to the environment. In March 2007, a hydrogen peroxide circuit was added to reduce the concentration of organic material to acceptable levels. This process change operated through the remainder of 2007, demonstrating that it enables consistent operation at target production rates during periods with elevated concrete in the mill feed. Water treatment efficiency has also been significantly improved due to the hydrogen peroxide circuit addition.

Three 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" and "Permit to Operate Waterworks" from SMOE. These permits are current. The CNSC licence expires on October 31, 2008. The SMOE approvals expire on November 30, 2009. Cameco has submitted a request to renew its CNSC operating license for a five-year term.

Cameco has applied to increase the annual licence capacity at both the McArthur River mine and the Key Lake mill to 22 million pounds U_3O_8 per year (compared to the current 18.7 million pounds). This application has been undergoing a screening level environmental assessment (an "EA") under the *Canadian Environmental Assessment Act* ("CEAA") with the CNSC as the responsible authority. The EA has been delayed as the CNSC has focused on an evaluation of the longer-term environmental impacts of low levels of selenium and molybdenum in the Key Lake mill's effluent and concentrations of these substances in the downstream environment.

Cameco has developed a three-phase action plan that modifies the effluent treatment process to reduce concentrations of selenium and molybdenum discharged to the environment. After a regulatory hearing in January 2007, the CNSC amended the licence to include a condition for the Key Lake mill to implement this plan. The first phase of the plan is expected to be in place in the first half of 2008.

The EA for the increased licence capacity is pending demonstration of the effectiveness of the process to reduce concentrations of selenium and molybdenum. The Company expects that reducing the current level of these metals will help advance this EA.

In addition to obtaining approval for the EA (which has to be resubmitted at the appropriate time) and licence approval to operate at higher production levels, the Company needs to transition to new mining zones at McArthur River and to implement various mill process modifications at Key Lake in order to sustain increased production levels. Mine planning, development and freeze hole drilling for the McArthur River zone transition is ongoing, and only after this transition is complete can the Company fully assess the production rate capacity of the new mining zones. A revitalization pre-feasibility assessment for the Key Lake mill was initiated in October 2006 and is scheduled to be completed in the first half of 2008. Revitalization of the Key Lake mill, which has been in operation since 1983, will include upgrading circuits to new technology for simplified operation, increased production capacity and improved environmental performance.

If the Company receives approval for the increased production limit, Cameco expects that annual production will range between current levels and 20 million pounds until such time as revitalization is completed at Key Lake. Annual production levels after mill revitalization are expected to be largely dependent on mine production.

Accordingly, Cameco anticipates it will be a number of years before it can achieve the sustainable production at the increased rate at these operations, and there is a risk of further delay. Increased annual production to an intermediate level between 18.7 million pounds and the sustainable production rate may be possible prior to the completion of the Key Lake mill revitalization, but will require completion of the other items noted.

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, constructed in 1983, has not received tailings since 1996. Cameco is reviewing several decommissioning options regarding this facility.

The other tailings management facility ("TMF") is located within the Deilmann pit, which was mined out in the 1990s. Tailings deposition in the Deilmann TMF began in early 1996, using a staged subaerial/subaqueous deposition mode with an initial pervious sand envelope constructed around the perimeter of the pit. The sand envelope was designed to allow 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 this TMF. Conversion started immediately. Flooding of this TMF commenced in June 1999.

Tailings from processing McArthur River ore are deposited in the Deilmann TMF. The currently approved capacity of the Deilmann TMF is sufficient to operate at current production rates for approximately six years, assuming only minor storage capacity losses due to sloughing (or erosion) from the pit walls. Cameco has initiated the necessary work in two stages to obtain regulatory approval for a final higher tailings elevation that will be sufficient to hold all tailings generated from processing of McArthur River reserves. This first stage will involve the provision of technical analysis which is expected to result in approximately four years of additional capacity. The second stage will involve an additional environmental assessment process. Cameco has performed several studies to better understand the pitwall sloughing mechanism and initiated engineering work to design and build mitigation measures for prevention of sloughing. Sloughing has occurred in the past at the Deilmann TMF resulting in the loss of approved capacity. Although the situation has recently stabilized, there is a risk of further sloughing at the Deilmann TMF.

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 material. The latter are currently used to lower the grade of McArthur River ore to approximately 4% U₃O₈ before entering the milling circuit. The dilution of the high-grade ore serves three purposes: recovery of uranium from the low-grade material, reduced radiation exposures in the mill, and final disposal of the low-grade waste. The remaining non-mineralized 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.

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 *Nuclear Safety and Control Act*, radiation exposure limits incorporate a formula that combine the doses of gamma radiation, radon and dust intake an individual receives in a year. Since mine start up, radiation exposure levels at both the mine and the Key Lake mill have been well below applicable standards.

McArthur River Resource and Reserve Estimates

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

1. Key Assumptions

- (a) Uranium mineralization is continuous in quality and quantity between sampled areas.
- (b) Water control measures are effective at preventing water inflow.
- (c) The reported mineral reserves include appropriate provisions for dilution or mining recovery.
- (d) The reported mineral resources do not include allowances for dilution and mining recovery.
- (e) For the purpose of estimating mineral reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities, a uranium price of \$49.00 (US) per pound U₃O₈ was used. For the purpose of estimating mineral reserves in accordance with US Securities and Exchange Commission's Industry Guide 7 for US reporting purposes, a uranium price of \$59.00 (US) per pound U₃O₈ was used. Estimated mineral reserves at McArthur River are the same using either uranium price.
- (f) Environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the mineral resource and mineral reserve estimates.

2. Key Parameters

- (a) Grades were obtained from radiometric probing of underground drillholes 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 density measurements of drill core and chemical assay grades.
- (c) Limits and continuity of the mineralization are structurally controlled.

- (d) Mineral reserves at McArthur River are based on estimated quantities of uranium recoverable by the current raise bore mining method and the currently planned mining methods of boxhole boring, jet boring and/or blasthole stoping.
- (e) The key economic parameters underlying the mineral reserves include a conversion from US\$ dollars to Cdn\$ dollars using a fixed exchange rate of US \$1.00 = Cdn \$0.99 (reflecting the exchange rate at December 31, 2007).

3. Key Methods

- (a) Three-dimensional wire frame models were created from digitized mineralization boundaries interpreted on 10 metre spacing vertical cross-sections and plan views. Estimates of the grade and density of blocks of 1 metre x 5 metre x 1 metre were obtained from ordinary kriging.
- (b) Mineral reserves are defined as the economically mineable part of the indicated and measured mineral resources. Only mineral reserves have demonstrated economic viability. The amount of reported mineral resources does not include amounts identified as mineral reserves.
- (c) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category.

There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any mineral 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 or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates.

Rabbit Lake

Rabbit Lake in northern Saskatchewan 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, Eagle Point Mine mineral reserves are forecast to be depleted in 2012. A diamond drilling exploration program is planned to continue through 2009 with the objective to further extend the mine life beyond 2012. The mineral reserve and resource estimates for Rabbit Lake are found below at *The Nuclear Business - Uranium Concentrates Business-Reserves and Resources*.

In late November 2007, there was an increased water inflow at the Eagle Point underground mine and mining was suspended. Cameco immediately began construction of four concrete bulkheads to control the inflow, and at the same time initiated action to find and seal the source of the inflow. An old surface exploration drill hole was confirmed as the source and plugged allowing normal mining activities to resume on December 31, 2007, well ahead of plan.

Rabbit Lake produced 4.0 million pounds of U₃O₈ during 2007, 1.5 million pounds less than target. The production shortfall was due to the following factors: tonnage and mill head grade were lower than in 2006; changes were made to the mine plan, which were necessary while work was carried out to obtain regulatory approvals for a new mining zone; production from the new mining zone was restricted by higher than anticipated radon gas levels and the steps taken to manage workers' radon exposure; and underground mining activities were suspended due to the increased water inflow in November 2007.

Cameco has been carrying out exploration and delineation drilling in the vicinity of the Eagle Point mine since 2003. Proven and probable reserves at the end of 2007 total 16.2 million pounds versus 19.1 million pounds at the end of 2006. Prospects for additional mineral reserves have been identified. Targets for exploration include areas both north and south

of the current mine workings and at depth. Cameco is conducting this exploration from both surface and underground in an attempt to further extend the mine life. An extensive lateral development program to access the additional mineral reserves will continue for the next few years. Development of mine workings in 2007 totalled 3.5 kilometres and underground exploration drilling was 65,000 metres. In 2008, Cameco plans to develop approximately 4 kilometres of mine workings and complete about 45,000 metres of underground exploration drilling.

In January 2008, groundwater and soil contamination was discovered by Cameco at the Rabbit Lake mill. The relevant regulatory authorities have been notified. Cameco is assessing the extent of the contamination, possible methods to contain it, and how to prevent future contamination. Seepage from the mill is believed to be the source of the contamination. In order to effect initial repairs to higher risk areas, in March Cameco decided to extend the regularly scheduled mill shut down into April. Cameco expects to recommence milling in the second quarter of 2008. The Rabbit Lake mill normally operates on a one week on and one week off cycle due to mill capacity being much greater than mine production. As a result, at this time, Cameco believes the mill shut down will not impact its 2008 Rabbit Lake production forecast.

There are three 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" and a "Permit to Operate Waterworks" from SMOE. These permits will expire on October 31, 2008. Cameco has submitted a request to renew its CNSC operating license for a five-year term. Application for a provincial operating license renewal will be made in early to mid 2008.

Subject to regulatory approval, after an initial two-year mine ramp up period, it is expected that the Rabbit Lake mill will process just over one-half of the uranium solution resulting from the milling at AREVA's JEB mill of the current Cigar Lake reserves. An EA relating to this uranium solution processing at Rabbit Lake (including the expansion of the RLITMF as described below), was submitted to regulatory authorities in November 2006. A revised EA was submitted regulatory authorities in January 2008. A CNSC hearing to consider the EA is expected by mid 2008.

Subject to regulatory approval, Cameco plans to complete the majority of the mill modifications by the end of 2013. In addition, a significant mill upgrade for long-term operation is planned. The processing of Cigar Lake uranium rich solution at Rabbit Lake is governed by a toll milling agreement made effective January 2002 between Cameco and the Cigar Lake Joint Venture. (See *Cigar Lake - Toll Milling Agreements* below).

Cameco has determined that the Rabbit Lake In-Pit tailings management facility ("RLITMF") will require expansion laterally and vertically in order to store tailings from the processing of Eagle Point ore and Cigar Lake uranium solution at Rabbit Lake. The existing approved tailing capacity at the RLITMF is sufficient to store tailings from the processing of Eagle Point ore until 2011, depending on milling rates and ore grades. Although there was sufficient capacity in the RLITMF for Cigar Lake tailings when the Rabbit Lake toll milling agreement was originally signed, additional production from the Eagle Point mine as a result of mine life extensions has consumed some of the existing tailings capacity planned for Cigar Lake uranium solution processing. Cameco is in the process of seeking regulatory approvals to expand the RLITMF. Engineering design work for the expansion of the RLITMF began in the first quarter of 2007.

Crow Butte

Crow Butte is an ISR uranium operation located near Crawford, Nebraska. 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 below at *The Nuclear Business - Uranium Concentrates Business-Reserves and Resources*.

Smith Ranch-Highland

Smith Ranch - Highland is an ISR uranium operation located near the towns of Glenrock and Douglas, Wyoming. It is owned 100% by Cameco through its wholly owned subsidiary, Power Resources, Inc. ("PRI"). The mineral reserve and resource estimates for Smith Ranch - Highland are found below at *The Nuclear Business - Uranium Concentrates Business-Reserves and Resources*. The Smith Ranch mill processes all Smith Ranch - Highland ISR mined uranium.

Development Projects

Cameco has one material uranium development project - Cigar Lake - in northern Saskatchewan. In December 2004, the Cigar Lake Joint Venture ("CLJV") decided to develop the Cigar Lake mine. A production forecast for Cigar Lake is provided below at *Cigar Lake - Development*.

Cameco also has a uranium development project in Kazakhstan called Inkai. In April 2004, Joint Venture Inkai decided to develop an ISR mine at the Inkai uranium deposit. Cameco, the joint venture operator, is targeting commercial production at Inkai for 2008, subject to the availability of acid as discussed below at *Inkai*.

Continued development and start up of production at these two development projects is subject 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%), AREVA Resources Canada Inc. ("AREVA") (37.1%), Idemitsu Canada Resources Ltd. ("Idemitsu") (7.875%) and TEPCO Resources Inc. ("TEPCO") (5.0%). Cameco is the operator. At December 31, 2007, Cameco's share of the Cigar Lake proven mineral reserves was 248,500 tonnes of ore containing 113.2 million pounds U_3O_8 with an average grade of 20.7% U_3O_8 ; of the indicated mineral resources was 30,500 tonnes of ore containing 3.3 million pounds U_3O_8 with an average grade of 4.9% U_3O_8 ; and of the inferred mineral resources was 158,500 tonnes of ore containing 59.1 million pounds U_3O_8 with an average grade of 16.9% U_3O_8 .

In December 2004, the CLJV decided to proceed with development of the Cigar Lake mine. A construction licence for Cigar Lake was issued by the CNSC on December 20, 2004. Construction of the Cigar Lake project began in January 2005. Construction has been delayed due to the two water inflow incidents that occurred in 2006 (see *Water Inflow Incidents and Remediation* below). The first incident in April 2006 resulted in the flooding of the second shaft, which was under construction. The second incident in October 2006 resulted in the flooding of the underground development areas. In November 2006, Cameco commenced work at Cigar Lake to remediate the underground development areas. Cameco obtained an amended construction licence for Cigar Lake in 2007, which is valid until December 31, 2009.

A technical report entitled "Cigar Lake Project, Northern Saskatchewan, Canada" dated March 30, 2007 (the "Cigar Lake Technical Report") was prepared for Cameco by Cameco qualified persons in compliance with NI 43-101. The following description of the Cigar Lake Project is based on and, in some cases directly extracted from, the Cigar Lake Technical Report, with certain updates to reflect developments since the date of the Cigar Lake Technical Report. A copy of the Cigar Lake Technical Report can be obtained from SEDAR at www.sedar.com. Conclusions, projections and estimates set out in this Annual Information Form regarding Cigar Lake are subject to the qualifications, assumptions and exclusions that are detailed in the Cigar Lake Technical Report. To fully understand the summary information set out below and elsewhere in this Annual Information Form, the Cigar Lake Technical Report filed on SEDAR should be read in its entirety.

For a description of royalties payable to the province of Saskatchewan on the sale of uranium extracted from ore bodies within the province and taxes, see *Canadian Royalties and Certain Taxes*.

Property Description and Location

The Cigar Lake mine site is located near Waterbury Lake, approximately 660 kilometres north of Saskatoon. The Cigar Lake mine site was initially developed for the activities of test mining.

The mineral property consists of one mineral lease (ML-5521) and 25 mineral claims (No. S-106540 to 106564 inclusive), totalling 93,048 hectares. The mineral lease and mineral claims are contiguous. The Cigar Lake deposit is located in the area subject to mineral lease ML-5521, totalling 308 hectares. The right to mine this uranium deposit was acquired under this mineral lease. The current mineral lease ML-5521 expires on December 1, 2011 with the right to renew for successive ten-year terms absent a default by Cameco. Mineral lease ML-5521 may not be terminated by the

Government of Saskatchewan except in the event of default by Cameco and for certain environmental concerns prescribed in *The Crown Minerals Act* (Saskatchewan).

Surrounding the Cigar Lake deposit are 25 mineral claims, totalling 92,740 hectares. 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.

There is an annual requirement of \$2.3 million either in work or cash to retain title to mineral lease ML-5521 and the 25 mineral claims. Based on previous work submitted and approved by the Government of Saskatchewan, title is secure until 2022.

The surface facilities and mine shafts 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 most recent surface lease was signed in May 2004 and is valid for 33 years until May 27, 2037. 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 and approved by the provincial government. The Cigar Lake surface lease covers a total of 959 hectares of Crown land.

The Cigar Lake airstrip is under a separate surface lease covering a total of 17.2 hectares. There is also a surface lease for roadways covering a total of 24.2 hectares. The airport lease was renewed with the province of Saskatchewan in 2007 and will expire in May 2028. These surface leases are renewable if necessary until full property decommissioning has been achieved and approved by the Saskatchewan Government.

All current mineral reserves and mineral resources are contained within mineral lease ML-5521. Underground workings are confined to a small portion of the area of the mineral lease where initial test mining was concentrated. A total of 53 tonnes of high-grade mineralization in bulk bags from the test mining is stored on the surface storage pad.

Waste rock generated at the Cigar Lake mine site is currently stored in one of four waste rock piles on site, depending on the nature of the waste rock. The first two of these are the clean waste stockpiles, which will remain at the minesite. The third is mineralized waste, contained on a lined pad ($>0.03\% \text{U}_3\text{O}_8$), which will be disposed of underground at the Cigar Lake mine. No mineralized waste has been identified in the development to date. The fourth is potentially acid generating waste rock which will be temporarily stored at site on a lined pad and will be eventually transported to the Sue C pit at the McClean Lake facility for permanent disposal. The costs of the eventual disposal of the Cigar Lake potentially acid generating waste rock in Sue C pit is addressed in the Potentially Reactive Waste Rock Disposal Agreement between the McClean Lake Joint Venture ("MLJV") and CLJV dated January 1, 2002. In addition, a fifth waste pile contains overburden material that is used during surface construction and will be used during site reclamation.

No tailings will be stored at the Cigar Lake site since all ore mined will be transported to the McClean Lake JEB mill and Rabbit Lake mill for processing. As a result, Cigar Lake project tailings will be generated at both the McClean Lake JEB mill and the Rabbit Lake mill. The toll milling agreements as (described below) cover the generation of tailings at the McClean Lake JEB mill and Rabbit Lake mill and manage the financial liabilities associated with these tailings.

Although there was sufficient capacity for the Cigar Lake tailings in the Rabbit Lake in-pit tailings management facility ("RLITMF") when the Rabbit Lake Toll Milling Agreement described below was originally signed, additional production, due to mine life extensions, from the Eagle Point mine at Rabbit Lake has consumed a portion of the capacity in the RLITMF. Subsequently, it has been determined that the RLITMF will have to be expanded and Cameco is in the process of seeking the regulatory approvals to do so. The cost of expanding the RLITMF has not been included in the Cigar Lake project capital cost estimates described herein.

A discussion of the permitting required to conduct the work proposed for the Cigar Lake project is described below (See *Development*).

Site Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the property is by an all weather road and by air. Supplies are transported by truck and can be shipped through Cameco's transit warehouse in Saskatoon. Saskatoon is a major population centre located 660 kilometres south of the Cigar Lake deposit with highway and air links to the rest of North America. An unpaved airstrip is located east of the minesite within the airstrip surface lease, allowing flights to the Cigar Lake property. The water for the industrial activities and the camp comes from nearby Waterbury Lake. A lake, called Cigar Lake, overlies part of the inferred mineral resources. The site is connected to the provincial electricity grid with a 138kV overhead power line. There are standby generators in case of grid power interruption.

Personnel are recruited on a preferential basis: initially from the communities of northern Saskatchewan, followed by the province of Saskatchewan, and then outside to other provinces. The development and construction work is tendered to a number of contractors.

The climate is typical of the continental sub-arctic region of northern Saskatchewan. Summers are short and cool even though daily temperatures can reach above 30°Celsius (°C) on occasion. Mean daily maximum temperatures of the warmest months are around 20°C and only three months on average have mean daily temperatures of 10°C or more. The winters are cold and dry with mean daily temperatures for the coldest month below -20°C. Winter daily temperatures can reach below -40°C on occasion. Freezing of surrounding lakes, in most years, begins in November and break-up occurs around the middle of May. The average frost-free period is approximately 90 days.

Average annual total precipitation for the region is approximately 450 millimetres, of which 70% falls as rain. Site activities are carried out throughout the year despite cold winter conditions. The fresh air necessary to ventilate the underground workings is heated during winter months using propane-fired burners.

The surface leases grant sufficient rights, subject to regulatory approvals, for mining operations for the current mineral reserves and the lands subject to the surface leases are sufficient for personal accommodation, access to water, airport, site roads and other necessary buildings and infrastructure. Tailings management facilities will not be required at Cigar Lake, as ore will not be milled at Cigar Lake.

The topography and the environment are typical of the taiga forested lands common to the Athabasca basin area of northern Saskatchewan. The area is covered with 30 to 50 metres of overburden. Vegetation is dominated by black spruce and jack pine. Occasional small stands of white birches may occur in more productive and well-drained areas. The surface facilities are 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 247 holes and more than 101,100 metres of core drilling from surface. Cigar Lake Mining Corporation ("CLMC") was the operator of the project from 1985 to 2001. Effective January 1, 2002, Cameco replaced CLMC as operator.

Public hearings on the project environmental impact were concluded in 1997 and, based on the recommendation of the joint federal-provincial panel, the governments of Canada and Saskatchewan authorized the project to proceed to the regulatory licensing stage.

In June 2001, the CLJV approved a feasibility study and detailed engineering design was initiated. On June 30, 2004, the environmental assessment for construction and operation of Cigar Lake was completed and on December 20, 2004, the CNSC approved the full construction licence for the Cigar Lake project.

In December 2004, the CLJV approved a construction budget of approximately \$450 million that included surface and underground facilities at Cigar Lake as well as changes, subject to regulatory approval, to the milling facilities at McClean Lake and Rabbit Lake. See *Mining Operations* below for the 2007 capital cost estimate.

Geological Setting

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. Cigar Lake shares many similarities with these deposits, including general structural setting, mineralogy, geochemistry, host rock association and the age of the mineralization. However, 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 geological setting at Cigar Lake is similar to that at the McArthur River mine in that the sandstone overlying the basement rocks of the deposit contains significant water at high hydrostatic pressure.

The deposit is flat lying, approximately 1,950 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

Mineral lease ML-5521, which covers the Cigar Lake deposit, is surrounded by 25 mineral claims. AREVA is responsible for all exploration activity on these 25 surrounding claims under the CLJV agreements.

Subsequent to the discovery of the Cigar Lake deposit, the majority of exploration activities over the next few years were concentrated on mineral lease ML-5521, which hosts the Cigar Lake deposit, with only moderate activity on the 25 surrounding mineral claims. All exploration activities ceased after the 1986 field season for a period of 12 years, until exploration work on the 25 surrounding mineral claims recommenced in 1999.

The 1999 work program on these claims started with a period of data compilation and review of all the work conducted to date, following which additional exploration was started focussing upon developing further understanding of the Cigar trend and developing knowledge of the large, unexplored parts of the project. Since the inception of exploration activities to the end of the 2007 drilling program, a total of 90 exploration diamond drillholes (totalling 42,156 metres) and an additional 38 shallow drillholes (totalling 2,140 metres) have been completed on these claims.

During the 2006 exploration drilling program, a drill hole located 700 metres east of the Cigar Lake ore body had an intercept with a radiometric grade of 21% U_3O_8 over a vertical thickness of 7.7 metres. An AREVA exploration drilling program in 2007 extended the mineralization intersected in 2006 over a strike length of approximately 120 metres, with mineralization intersected in four of the nine drill holes.

The data from the exploration program on the 25 mineral claims is not part of the database used for the estimate of the mineral resources and mineral reserves at Cigar Lake.

Mineralization

Three distinct styles of mineralization occur within the Cigar Lake deposit: high-grade mineralization at the unconformity ("unconformity" mineralization) which includes the ore; fracture controlled, vein-like mineralization higher up in the sandstone ("perched" mineralization); and fracture controlled, vein-like mineralization in the basement rock mass.

The body of high-grade mineralization located at the unconformity contains the bulk of the total uranium metal in the deposit and represents the economically viable style of mineralization, considering the available mining methods and ground conditions. It is characterized by the occurrence of massive clays and high-grade uranium concentrations.

The high-grade, unconformity mineralization consists primarily of three dominant rock and mineral facies occurring in varying proportions. These are quartz, clay (primarily chlorite with lesser illite) and metallic minerals (oxides, arsenides, sulphides). In the two higher-grade eastern lenses, the ore consists of approximately 50% clay matrix, 20% quartz and 30% metallic minerals, visually estimated by volume. In this area, the unconformity mineralization is overlain by a very

weakly mineralized contiguous clay cap one to five metres thick. In the lower-grade western lens, the proportion changes to approximately 20% clay, 60% quartz and 20% metallic minerals.

Drilling

The Cigar Lake uranium deposit was discovered in 1981 on mineral lease ML-5521 by drill hole number WQS2-015 of a regional programme of diamond drill testing of geophysical anomalies (electromagnetic conductors) located by airborne and ground geophysical surveys. The deposit was subsequently delineated by a major surface drilling program during the period 1982 to 1986, followed by several small campaigns of drilling for geotechnical and infill holes to 2002 when the last surface hole prior to 2007 was drilled. An additional 20 holes were drilled during 2007 for various geotechnical and geophysical programs. In total, 101,154 metres of diamond drilling has been completed in 247 surface holes. Of the 247 surface drillholes and wedged intersections drilled, 112 have been drilled within the geologically interpreted deposit limits and intersected minimum mineralized intervals with grade times thickness (GT) value greater than 3.0 metres % U_3O_8 , equivalent to 2.5 metres at 1.2% U_3O_8 .

In addition to the surface holes, diamond drilling has been done from underground access locations primarily to ascertain rock mass characteristics in advance of development and mining, both in ore and waste rock. In the period from 1989 to 2007, 132 underground diamond drillholes totalling 11,108 metres were drilled. Only seven of these underground holes have intersected the ore body.

A total of 347 freeze and temperature monitoring holes have been drilled to the end of 2007 during the construction phase, of which approximately 150 have been gamma surveyed. The freeze holes are drilled by percussion methods so no core is available for assays and uranium content is estimated by probing the holes with radiometrics. Cameco plans to reconfirm the current conversion factors for estimating uranium grade from the radiometrics by drilling several core holes and using them for calibration purposes.

Cameco is satisfied with the quality of data obtained from the exploration drilling program on mineral lease ML-5521 and considers it valid for use in the estimate of mineral resources and mineral reserves at Cigar Lake.

Sampling and Analysis

Drilling in the eastern part of the deposit, an area 700 metres long by 150 metres wide, labelled Phase 1, has been done at a nominal drill hole grid spacing of 50 metres east-west by 20 metres north-south. On three of these fences, wedging from primary holes generated intersections at 10 metres spacing along the fences. Two fill-in fences were drilled at a spacing of 25 metres, with holes at nominally 20 metres along the fences. As well, along the central east-west axis of the eastern zone, five holes were drilled at 25 metres spacing.

The western part of the deposit, an area of 1,200 metres long by 100 metres wide, labelled Phase 2, has been drilled at a nominal drill hole grid spacing of 200 metres east-west by 20 metres north-south.

All holes were core drilled. All holes were gamma probed. In-hole gamma surveys and hand held scintillometer surveys were used to guide sampling of core for assay purposes.

In the early stages of exploration drilling, sampling of mineralized intervals was done on a geological basis, whereby sample limits were determined based on geological differences in the character of the mineralization. Samples were of various lengths, up to 50 centimetres. Beginning in 1983, sampling intervals for core from the ore body have been fixed at the property standard 50 centimetres. Subsequently, all sample results have been mathematically normalized to the standard interval of 50 centimetres for mineral resource estimation purposes.

On the upper and lower contacts of the mineralized zone, two additional 50 centimetre samples were taken to ensure that the zone was fully sampled at the 1,000 parts per million (0.1%) U_3O_8 cut-off.

In total, more than 3,550 samples have been assayed from all the surface holes drilled to define and delineate the deposit.

Except for some of the earliest sampling, in 1981 and 1982, the entire core from each sample interval was taken for assay. This practice of sampling the entire core reduces the sample bias inherent when splitting core.

For holes drilled into the deposit, sampling of drill core and gamma probing of underground drillholes was undertaken to the same standards as done for surface holes. However, most of the holes drilled into the deposit were rotary holes for ground freezing, from which no core was recovered. In these holes, reliance will be placed on radiometric assays for grade determinations to be used in future mineral resource and mineral reserve estimations.

Reliance for grade determinations in mineralized rock has been placed primarily on chemical assays of drill core. Core recovery through the ore zone has generally been very good. Where necessary, uranium grade determination has been supplemented by radiometric probing from gamma logs (gamma surveys within the drillholes).

For mineral resource and mineral reserve estimation purposes, where core recovery was less than 75%, radiometric assays were substituted for chemical assays. A total of 32 samples were identified with recoveries less than 75% out of a total of 2,367 assayed samples.

From about 1983 onward, all drilling and sample procedures have been standardized and documented. This has imparted a high degree of confidence in the accuracy and reliability of results of all phases of the work.

Sample composites were calculated by taking the weighted average for the mineralized intercept in each drill hole using a 1.2 % U_3O_8 cut-off grade with the inclusion of 0.5 metre of waste at the top and bottom of each drill intercept. Vertical surface drillholes generally represent the true thickness of the zone as the mineralization is flat lying. The greatest true width among the drill hole composites is 16.5 metres, and the lowest, 2.5 metres with an average true width of about six metres.

The highest and lowest assay values among the sample are respectively 82.9% U_3O_8 and 0.0% U_3O_8 . The highest and lowest density values among the samples are respectively 6.38 tonnes per cubic metre and 1.37 tonnes per cubic metre.

The majority of uranium assays in the database were obtained from Loring Laboratories Ltd.

The original database, from which the mineral resource and mineral reserves were estimated, was compiled by previous operators. The original signed assay certificates are available and have been reviewed.

The quality assurance - quality control procedures that were used were typical for the time period of the analyses. Cameco has reviewed the data and is of the opinion that the data is of adequate quality to be used for mineral resource and mineral reserve estimation purposes. Furthermore, the continuity and high grade nature of the ore zone has been confirmed from radiometrics of closely spaced underground freeze hole drilling.

Security of Samples

Cameco is not aware of the security measures in place at the time of the deposit delineation. However, the current core logging area is the same facility as was used during the delineation drilling. It is well removed from the mine site and a locked gate bars road access to anyone not authorized.

Cameco has no reason to doubt that sample security was maintained throughout the process.

Cigar Lake Resource and Reserve Estimates

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

1. Key Assumptions

- (a) Mineral resources have been estimated at a minimum mineralized thickness of 2.5 metres. A cut-off grade of 5% U₃O₈ has been applied to the Phase 1 measured mineral resource. A cut-off grade of 1.2% U₃O₈ has been applied to the Phase 1 indicated mineral resource. The inferred mineral resources have been estimated by applying a cut-off grade of 5.9% U₃O₈ to the Phase 2 resource block model.
- (b) Mineral resources have been estimated with an allowance of 0.5 metres of dilution material above and below the deposit at 0% U₃O₈. No allowance for mining loss is included.
- (c) Mineral reserves have been estimated at a cut-off grade of 5.9% U₃O₈ applied to the Phase 1 mineral resource block model.
- (d) Mineral reserves have been estimated with an allowance of 0.5 metres of dilution material above and below the deposit, plus 5% external dilution and 5% backfill dilution at 0% U₃O₈. Mineral reserves have been estimated based on 90% mining recovery.
- (e) For the purpose of estimating mineral reserves in accordance with NI 43-101, a price of \$49.00 (US) per pound U₃O₈ was used. For the purpose of estimating mineral reserves in accordance with United States Securities and Exchange Commission Industry Guide 7 for US reporting purposes, a price of \$59.00 (US) per pound U₃O₈ was used. Estimated mineral reserves at Cigar Lake are the same at either price.
- (f) Environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the mineral resource and mineral reserve estimates.

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. The grade of a sample was estimated from radiometric results if the core recovery was less than 75%.
- (b) Where density was not directly measured for each sample, a correlation between uranium grade and density was applied.
- (c) Mineral reserves at Cigar Lake are based on estimated quantities of uranium recoverable by a tested mining method.
- (d) The key economic parameters underlying the mineral reserves include a conversion from US\$ dollars to Cdn\$ dollars using a fixed exchange rate of US \$1.00 = Cdn \$0.99 (reflecting the exchange rate at December 31, 2007).

3. Key Methods

- (a) Mineral reserves were estimated based on the use of the jet boring mining method combined with bulk freezing of the ore body. Jet boring produces an ore slurry with initial processing consisting of crushing and grinding underground, leaching at the McClean Lake JEB mill and yellowcake production split between the McClean Lake JEB mill and Rabbit Lake mill.
- (b) Mining rates are assumed to vary between 80 and 140 tonnes per day and a full mill production rate of 18 million pounds of U₃O₈ per year based on 98.5% mill recovery.

- (c) The geological interpretation of the ore body outline was done on section and plan views derived from core drill hole information. Mineral resources and mineral reserves were estimated using 2-dimension horizontal block models. Except in the case of the inferred mineral resources, the block size of 15 metres x 6 metres was used. For inferred mineral resources, the block size was increased to 40 metres x 10 metres.
- (d) The geological model does not incorporate the results of the underground freeze holes since the conversion of radioactivity measurements to uranium grade has not yet been confirmed by chemical assays.
- (e) Ordinary kriging served to estimate the grade, thickness and density of the blocks.
- (f) Mineral reserves are defined as the economically mineable part of the indicated and measured resources. Only mineral reserves have demonstrated economic viability. Reported mineral resources do not include those amounts identified as mineral reserves.
- (g) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category.

There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any mineral 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 or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates.

Decommissioning and Reclamation

The Cigar Lake project Preliminary Decommissioning Plan ("PDP") was revised as part of the relicensing that occurred in 2007. This decommissioning plan considers the environmental liability issues up to the end of the construction of the facility. This PDP was approved by both federal and provincial regulatory agencies and it indicates a preliminary decommissioning cost estimate ("PDCE") of \$25.4 million (of which Cameco's share is \$12.7 million). Financial assurances to cover this PDCE are posted with SMOE.

The approved Cigar Lake PDP is valid to the end of construction. Once mining begins, Cameco will need to revise the PDP, as reclamation and remediation liabilities will begin to increase with the production of ore and the associated generation of mining wastes. The Cigar Lake PDP discusses the approach to addressing liabilities associated with mining. The future liabilities will be addressed in subsequent revisions to the Cigar Lake PDP.

The reclamation and remediation activities associated with the Cigar Lake project waste rock and/or tailings at the McClean Lake and Rabbit Lake facilities are covered by the PDP and PDCE prepared for these facilities. Future liabilities associated with expansion of the Rabbit Lake RLITMF will be addressed in future updates to the Rabbit Lake PDP.

Mining Operations

The mining of the Cigar Lake deposit faces many challenges including control of groundwater, weak rock formations, and radiation protection. Based on these challenges, it was identified that a non-entry mining method would be required to mine the deposit.

The jet boring mining method was selected for the mining of the Cigar Lake deposit after many years of exploration and test mining activities. The method consists of cutting approximately 4.5 metres diameter cavities with a high pressure water jet in previously frozen ore. It was developed and adapted specifically for this deposit and one of its primary features is its non-entry approach, whereby personnel are not exposed to the ore body as all mining will be conducted

from headings located in the basement rock below it. Through the application of the non-entry mining method, the containment of the ore cuttings within cuttings collection systems, and the application of ground freezing, the amount of radiation exposure to workers has been minimized to acceptable levels that are below regulatory limits. Experience with non-entry mining of high grade uranium ore at Cameco's McArthur River mine has demonstrated the effectiveness of this mining approach to manage radiation exposures.

Cigar Lake ore will be processed at three locations. Size reduction will be conducted at Cigar Lake, leaching will occur at McClean Lake and final yellowcake production will be split between McClean Lake and Rabbit Lake for a total estimated annual production rate of 18 million pounds U_3O_8 when the mine is in full operation. The MLJV owns the McClean Lake operation, including the McClean Lake JEB mill, and AREVA is the operator of the MLJV. Cameco owns the Rabbit Lake mill.

The first stage of processing will take place underground at Cigar Lake. The ore slurry produced by the jet boring mining system will be pumped to the underground crushing and grinding facility. The resulting finely ground, high density ore slurry will be pumped to surface storage tanks, thickened and loaded into truck mounted containers, similar to those currently being used at McArthur River mine.

The containers of ore slurry will be trucked to AREVA's McClean Lake operations, 70 kilometres to the northeast for processing. All the Cigar Lake ore will be leached at the McClean Lake JEB mill and final uranium solution processing is split between the McClean Lake JEB mill and Rabbit Lake mill as described below under *Toll Milling Agreements*. Both the McClean Lake JEB mill and Rabbit Lake mill require modifications to process the Cigar Lake ore.

The CLJV has entered into toll milling agreements for the processing of the Cigar Lake uranium at the McClean Lake JEB and Rabbit Lake mills.

Toll Milling Agreements

For a period of approximately two years, initially all Cigar Lake ore will be processed at the McClean Lake JEB mill located at AREVA's McClean Lake operations. Thereafter, as Cigar Lake production ramps up to planned full capacity, a portion of the uranium processing will be completed at Cameco's Rabbit Lake mill. These milling arrangements are subject to two toll milling agreements described below. These toll milling agreements were an integral part of the arrangements that resulted in the CLJV deciding in late 2004 to proceed with development of Cigar Lake.

JEB Toll Milling Agreement

The JEB Toll Milling Agreement, made effective January 1, 2002, sets out the terms and conditions by which the MLJV will process Phase 1 ore delivered to the McClean Lake JEB mill into JEB uranium solution, further process the JEB uranium solution into uranium concentrates and process all Phase 2 ore into uranium concentrates at the McClean Lake JEB mill. Phase 1 ore is the current Cigar Lake mineral reserves and Phase 2 ore is part of the current Cigar Lake mineral resources. Mineral resources in Phase 2 are in the inferred category and have been evaluated from a preliminary perspective only. Further drilling and mining studies are needed before these resources can be fully evaluated.

All uranium solution resulting from the mill processing at the McClean Lake JEB mill of Phase 1 ore is allocated for further processing between the McClean Lake JEB mill and the Rabbit Lake mill based upon two categories: Phase 1(a) ore and Phase 1(b) ore. Phase 1 (a) ore represents the first 160 million pounds U_3O_8 recovered collectively by the McClean Lake JEB and Rabbit Lake mills. Phase 1(b) ore represents the balance of the Phase 1 ore which is equal to approximately 64 million pounds of Cigar Lake mineral reserves.

Generally, for an initial ramp up period of two years, 100% of the uranium solution resulting from the processing of Phase 1 ore is allocated to the McClean Lake JEB mill to process into uranium concentrates. Thereafter, the McClean Lake JEB mill will process 42.7% of the Phase 1(a) uranium solution into uranium concentrates (50% of the Phase 1(b) uranium solution). McClean Lake will send up to 57.3% of the Phase 1(a) uranium solution to the Rabbit Lake mill for further processing into uranium concentrates (50% of the Phase 1(b) uranium solution).

For the toll milling and related services, the CLJV pays the MLJV toll milling charges comprising the CLJV's share of McClean Lake JEB mill expenses and a toll milling fee based upon the type of Cigar Lake ore being processed (Phase 1(a), Phase 1(b) and, if applicable, Phase 2).

The agreement requires the MLJV to modify the McClean Lake JEB mill to process Phase 1 ore. The CLJV agreed to pay a portion of the cost to modify the McClean Lake JEB mill to a specified maximum amount, which limit has been met. This contribution limit may be exceeded in certain circumstances. The balance of the cost is the MLJV's responsibility. These McClean Lake JEB mill modifications are expected to be completed in 2008, with the exception of the uranium solution off-loading facility, which is expected to be complete in 2012 or 2013. In certain circumstances, standby costs will be payable by the CLJV to the MLJV, including if the McClean Lake JEB mill modifications are complete and no uranium is being processed at the McClean Lake JEB mill.

The MLJV is responsible for all costs of decommissioning the McClean Lake JEB mill.

Rabbit Lake Toll Milling Agreement

As described above under *JEB Toll Milling Agreement*, all uranium solution resulting from the processing at the McClean Lake JEB mill of Phase 1 ore is allocated for further processing between the McClean Lake JEB mill and the Rabbit Lake mill. The Rabbit Lake Toll Milling Agreement, made effective January 1, 2002, sets out the terms and conditions by which Cameco will process its allocation of uranium solution from Phase 1 ore into uranium concentrates at the Rabbit Lake mill.

For the toll milling and related services, the CLJV pays Cameco toll milling charges comprising the CLJV's share of Rabbit Lake mill expenses and a toll milling fee based upon the type of Cigar Lake ore being processed (Phase 1(a) and Phase 1(b)).

The agreement requires Cameco to modify the Rabbit Lake mill to process its allocation of uranium solution from milled Phase 1 ore and Cameco is planning to complete the majority of modifications by 2013. The majority of these modification costs will be incurred by Cameco in either its role as mill owner or 50% CLJV owner. The CLJV agreed to pay a portion of these costs to a specified maximum amount, which limit may be exceeded in certain circumstances. In certain circumstances, standby costs will be payable by the CLJV to Cameco, including if the Rabbit Lake mill modifications are complete and no uranium is being processed at the Rabbit Lake mill.

Cameco is responsible for all costs of decommissioning the Rabbit Lake mill.

Water Inflow Incidents and Remediation

On April 5, 2006, a water inflow occurred at the base of No. 2 Shaft, through a failed valve assembly on a grouting standpipe, which led to the flooding of the shaft and cessation of activities in the shaft. As the shaft was not complete and not connected through to the main mine workings, the flooding was limited to No. 2 Shaft. In 2007, the CLJV decided to complete the No.2 Shaft to provide an alternative route out of the mine prior to beginning excavation in areas at elevated risk of water inflow and to provide additional underground ventilation, reflecting a more conservative approach to risk management. A remediation plan has been developed to freeze the ground in the aquifer affecting the No. 2 Shaft and then recommence shaft sinking. Alternatives to ground freezing to allow commencement of shaft sinking are also under assessment. Cameco is undertaking further assessment of the rock structure around the partially completed No.2 Shaft by conducting a geotechnical drilling program as well as several geophysical surveys from surface (borehole seismic, vertical seismic, induced polarization, gravity survey, etc.) to gather more detailed images of the structures and geology in and around the mine and No. 2 Shaft workings. Cameco is targeting substantial completion of these programs in the first half of 2008. The successful completion of these programs will assist in determining the necessary shaft design to complete shaft sinking.

On October 23, 2006, the underground mine at Cigar Lake was flooded following a water inflow, which caused a termination of underground activities. Subject to CLJV's approval, Cameco is proceeding with a phased plan to restore the underground workings at Cigar Lake. This plan consists of five phases. Each phase requires regulatory approval. Cameco has received approval from regulatory authorities for Phase one.

Phase one involves drilling holes down to the source of the inflow and to a nearby tunnel where reinforcement is needed, pumping concrete through the drillholes, sealing off the inflow with grout, drilling dewatering holes and installing pumps to dewater the mine. Concrete was required in two underground locations – one at the rock fall to seal off the inflow area and another in a nearby tunnel to provide reinforcement. The concrete mixture, which was designed to harden under water, was poured in successive layers. Fourteen drillholes for reinforcing and sealing off water inflow areas were completed in the first quarter of 2007. Three additional drill holes were completed by July 2007 to obtain additional information. The tunnel adjacent to the inflow area was filled with 2,600 cubic metres of concrete in the first half of 2007. During the second half of 2007, the concrete barrier plug was completed after pouring approximately 1,000 cubic metres of concrete in the tunnel in the vicinity of the original inflow and grouting around it to seal it off. The barrier plug effectively isolated the inflow area from the rest of the mine workings. Subsequently, an additional 1,000 cubic metres of concrete was poured behind the concrete barrier plug and up into the area above the rock fall where the water inflow began. Grouting was conducted above the inflow area to seal off this area and the drillholes used in the remediation process. A preliminary test of the effectiveness of the plug and sealed rock fall area was conducted in February 2008 by drawing down the water level in shaft No.1 to an intermediate stage and measuring the rate of water inflow. The results of the test show total mine water inflow has been limited to a rate considered safe for mine re-entry. Based upon the test results, the plug and seal are considered effective. Cameco plans to conduct additional testing as it prepares to dewater the mine.

Although the plug and seal are considered effective for mine re-entry, the integrity of the concrete barrier plug poured in 2007 will not be finally known until dewatering is well under way. In the event that the plug is not successful in securing the inflow area, then ground freezing, already incorporated into the remediation plan, will be utilized to secure the inflow area. If this situation occurs, there could be a schedule delay to the start of mine production.

The activities associated with each of the subsequent proposed remediation phases are generally described as follows:

Phase 2	This phase involves dewatering the underground mine openings, conducting inspections of the underground workings, providing temporary services and initiating the installation of surface freezing infrastructure if required.
Phase 3	This phase involves securing areas to prevent a ground fall or water inflow including construction of an engineered bulkhead in the vicinity of the water inflow and completing any additional remedial work identified in Phase 2, such as determining if additional reinforcement is required in higher risk areas. This phase may overlap with all or portions of Phases 2 and 4.
Phase 4	This phase involves completing underground rehabilitation which includes re-establishing mine ventilation, power and communication systems, installing pumping capacity, repairing the rock handling facilities and re-establishing the ground freezing program.
Phase 5	This phase involves resuming underground development and construction activities in order to meet the scheduled mine completion and production commencement target, which is now 2011, at the earliest.

Prior to dewatering, Cameco must complete a geotechnical assessment to determine if depressurization, reinforcement or other precautionary measures are necessary in two other areas of the mine. To ascertain this, Cameco drilled 6 diamond drill holes to obtain rock samples to allow assessment of rock quality and structure in these two areas as well as to allow measurement of the in-situ pore water pressure. The drilling has been completed; however, the results from this program have not been fully assessed.

Cameco hired internationally qualified independent experts to investigate the two water inflow incidents at the Cigar Lake project and provide corrective action recommendations. Cameco is working to finish implementation of the corrective actions it committed to the CNSC that it would complete. After they have been completed, Cameco will be ready to apply for regulatory approval to dewater.

Cameco is preparing a regulatory application to allow dewatering of the underground development and all other remediation activities leading up to, but not including, the restart of mine construction. The Company plans to submit this application to the CNSC the first half of 2008. Therefore, if the application is approved, Cameco anticipates dewatering in the second half of 2008.

During the underground remediation program, work will continue on the remaining planned surface facilities including the administration/services building, the installation of the mine ventilation fans, and a mine water pipeline containment system, as well as facilities required as a result of the remediation, such as additional dewatering pipelines and brine lines for ground freezing. Construction activities currently underway at the site include mine ventilation fan installation on surface, the slurry load-out facilities and surface pipelines.

Construction of the expansion of MLJV's McClean Lake JEB mill, required to process the Cigar Lake ore, is expected to be completed in 2008, with the exception of the uranium solution off-loading facility, which is expected to be completed in 2012 or 2013. Modifications to Cameco's Rabbit Lake mill required to complete processing of Cameco's portion of the ore have not yet started. Detailed design for the required facilities at Rabbit Lake is underway.

Prior to the April 2006 water flow incident, sinking of No. 2 Shaft was approximately 78% complete, with the shaft furnishing installation still to follow. Prior to the October 2006 water inflow incident, development of the underground workings was approximately 70% complete and surface construction was 60% complete.

Development

The Cigar Lake project has regulatory obligations to both the federal and provincial governments. Being a nuclear facility, primary regulatory authority resides with the federal government and its agency, the CNSC. The main regulatory agencies that issue permits/approvals and inspect the Cigar Lake project are: the CNSC (federal), Fisheries and Oceans Canada (federal), Environment Canada (federal), Transport Canada (federal), Saskatchewan Advanced Education Employment and Labour (provincial), and SMOE (provincial).

In February 2004, an environmental assessment study report for the Cigar Lake mine portion of the project was submitted and subsequently accepted by the CNSC as meeting the requirements of *Canadian Environment Assessment Act* ("CEAA") and that the licensing/permitting process for the Cigar Lake project could proceed.

The CNSC issued the construction licence for the Cigar Lake project in December 2004, which was valid until December 31, 2007. Due to the October 2006 water inflow event, the construction activities were not completed by the expiry date of the licence. Therefore, in 2007 Cameco applied for amendments to the construction licence to extend its term and potentially address emergency water treatment and other new actions or contingencies resulting from the October 2006 water inflow event. Cameco obtained an amended construction licence in December 2007, which is valid until December 31, 2009. Subsequent amendments to this construction license will be required to complete remediation and resume pre-flood underground construction and development activities. This will be initiated once the mine development plan and scope are clearly defined.

Concurrent with mine construction, an operating license application will be prepared for submission to the CNSC. The operating license process, consisting of document production and two formal hearings, can proceed while construction of the facilities is being completed.

The processing of ore slurry feed from the Cigar Lake mine at the McClean Lake JEB mill was assessed and approved as part of an environmental impact statement for the Cigar Lake project submitted in 1995 and approved in 1997 by the Joint Federal-Provincial review panel on Uranium Developments in Northern Saskatchewan.

In November of 2006, a draft environmental impact statement for the processing of uranium solution at the Rabbit Lake mill was submitted. Cameco does not anticipate any significant problems in obtaining approval for this phase of the Cigar Lake project. The draft environmental impact statement has been published and issued for public comment.

Each of the five phases of the remediation of the rock fall and water inflows at Cigar Lake requires regulatory approval. Regulatory approval has been obtained for Phase 1.

The water treatment/effluent discharge system employed at the Cigar Lake mine site has been designed to take into account both the results of metallurgical test work programs and Cameco's experience at other facilities. The design is intended for both typical and emergency water treatment and effluent discharge scenarios. The current system has been approved and licensed by the CNSC and SMOE. Due to the October 2006 water inflow incident, Cameco is reviewing the emergency mine dewatering strategy. It is likely that the emergency mine dewatering capacity will increase and provision for this has been included in the March 2007 capital cost estimate. This increase in capacity is subject to regulatory approval.

The mining plan for Cigar Lake has been designed to extract all of the current mineral reserves. The mine life based on current mineral reserves will be 14.8 years with an estimated full production rate of 18 million pounds of U_3O_8 per year recovered from the mill. Cigar Lake will produce less than the full production rate of 18 million pounds of U_3O_8 in the early and late years resulting in an average annual production rate of 15.1 million pounds of U_3O_8 over the current mineral reserve life of 14.8 years. As a result of the two water inflow incidents, the mining plan is under full review.

Subject to regulatory approval and successful remediation of the flooded underground mine and No. 2 shaft in a timely fashion, Cameco forecasts that commission activities in ore will commence in 2011, at the earliest, followed by a ramp-up period of two years before reaching the full production rate. The Company intends to provide a firmer production start up date after the mine has been dewatered, the condition of the underground development has been assessed and the findings incorporated into new development and production plans.

The following is a general summary of the Cigar Lake production schedule guidelines and parameters:

- Total mill production of 222.9 million pounds of U_3O_8 based on an overall milling recovery of 98.5%;
- Total mine production of 497 thousand tonnes of ore;
- Average mill feed grade of 20.7 % U_3O_8 ;
- Initial production in 2011, at the earliest;
- Mining rate is variable to achieve a constant production level of U_3O_8 . The average mine production is 100 tonnes per day, but varies annually from 80 to 140 tonnes per day depending on the grade of ore being mined;
- Two year ramp up to full production of 18 million pounds of U_3O_8 per year (recovered after milling); and
- Mine operating life of 14.8 years

In March 2007, Cameco provided the following estimates:

The projected total remaining cost to complete the Cigar Lake project is estimated to be \$624 million, including remediation, completion of the underground development and surface construction at Cigar Lake, and the completion of the mill modifications at Rabbit Lake and McClean Lake. As of December 31, 2006, \$478 million had been spent by the CLJV, for a total combined capital and remediation cost estimate of \$1.1 billion.

Cameco's share of the capital cost to develop Cigar Lake, including its share of costs to modify the McClean Lake JEB and Rabbit Lake mill, is estimated at \$508 million, including \$234 million spent on construction to date, leaving \$274 million to be incurred from 2007 to the completion of underground development and construction at the respective sites. This does not include costs associated with the remediation to address the water inflow incidents.

In addition to the capital costs, the costs relating to the remediation plan to address the water inflow incidents are estimated at \$92 million. Cameco estimates its share of remediation costs to be \$46 million, of which \$5 million was expended in 2006, leaving \$41 million to be incurred by Cameco from 2007 through completion of the remediation. Following dewatering, Cameco expects to have more information about the condition of the underground infrastructure that may impact costs and timelines of remediation.

Additional projected sustaining capital expenditures of \$69 million at the Cigar Lake and Rabbit Lake sites will be required to be funded by the CLJV throughout the operating life of the Cigar Lake mine.

Payback for the Cigar Lake project has been considered on many different factors. Excluding all 2006 and prior costs as sunk costs, payback for Cameco would be achieved by the end of 2012 on an undiscounted, pre-tax basis.

If the \$478 million, including remediation costs, spent by the CLJV on construction prior to 2007 (of which Cameco's share was \$239 million), is included in the calculation, Cameco would achieve payback by the end of 2013 on an undiscounted, pre-tax basis.

Cameco will update the Cigar Lake capital cost estimate and certain other related estimates, such as the estimated payback for the Cigar Lake project, after the mine has been dewatered, the condition of the underground infrastructure and workings has been evaluated, and information from the evaluation has been incorporated into a new mining plan.

Cautionary Note Regarding Cigar Lake and its Forward-Looking Information

The above Cigar Lake expected production date and certain statements regarding our plans and expectations for resuming production at Cigar Lake, including costs estimates, in this section "Cigar Lake" and elsewhere in this Annual Information Form are forward-looking information and are based upon the following key assumptions and subject to the following factors that could cause results to differ materially:

- Cameco has assumed the success and timely completion of its dewatering and remediation efforts (including the remediation of shaft No.2 and favourable results of geotechnical assessments), which are subject to the risk that they do not succeed as anticipated or take longer to complete than anticipated. For example, if the concrete plug is not successful in securing the inflow area, which will not be known until the mine is dewatered, then ground freezing, already incorporated in the remediation plan, will be utilized to secure the inflow area. If this situation occurs, there could be a delay in the remediation schedule and the commencement of production.
- Cameco's ability to obtain and comply with the terms of, and timing of various regulatory approvals, which are subject to the risk of taking longer to obtain than anticipated or our inability to comply with their terms. In addition, working with the regulatory authorities to receive approvals for the corrective actions we committed to complete (which came from the inflow investigations) may impact our remediation and production schedules.
- Cameco's expectation regarding the condition of the existing underground working is correct, which is subject to the risk that actual conditions prove to be worse. The condition of the underground workings will not be known until the mine is dewatered.

Cameco has assumed that there will be no further disruptions to its dewatering and other remediation plans, but Cameco is subject to the risk of delays associated arising from fires, floods or cave-ins; the occurrence of another water inflow at Cigar Lake; failure of its radiation protection plans; labour disputes, litigation or arbitration proceedings; delays in obtaining or failure to procure the required equipment, operating parts and supplies; equipment failure; unexpected geological or hydrological conditions and adverse ground conditions.

Cameco has also assumed it will overcome the challenges associated with Cigar Lake, which is a challenging deposit to develop and mine, but Cameco is subject to the risk that it will fail to do so. These challenges include control of groundwater, weak ground formations, and radiation protection. The sandstone overlying the basement rocks contains significant water at hydrostatic pressure. Freezing the ground is expected to result in several enhancements to the ground conditions, including: (1) minimizing the risk of water inflows from saturated rock above the unconformity; (2) reducing radiation exposure from radon dissolved in the ground water; and (3) increasing rock stability. However, freezing will only reduce, not eliminate, these challenges. There is also the possibility of a water inflow during the drilling of holes to freeze the ground. Therefore, the risk of water inflows at Cigar Lake remains.

If actual results differ materially from the assumptions set out above or if any of the material risk factors occur, the target date for dewatering Cigar Lake and its target production restart date and associated cost estimates, may differ materially from the expected dates and estimated cost estimates that are stated above and elsewhere in this Annual Information Form. In this Annual Information Form, additional material risk factors are noted in the "Caution Regarding Forward-Looking Information and Statements" and "Risk Factors."

The consequences of another water inflow will depend upon the magnitude, location and timing of any such event, but could include a significant delay in Cigar Lake's remediation, development or production, a material increase in costs, a loss of mineral reserves or require Cameco to give notice to many of its customers that it is declaring an interruption in planned uranium supply. Such consequences could have a material adverse impact on Cameco. Water inflows are generally not insurable.

Inkai

Inkai is an ISR project, with two production areas under development (Blocks 1 and 2), located in the central Asian Republic of Kazakhstan and consists of three contiguous licence blocks. The project is owned and operated by Joint Venture Inkai, which is owned by Cameco (60%) and KazAtomProm (40%), a company owned by the Republic of Kazakhstan. The mineral reserve and resource estimates for Inkai are found below at *The Nuclear Business -Uranium Concentrates Business-Reserves and Resources*. Joint Venture Inkai's mineral reserves and resources are located at Blocks 1 and 2.

Project History

In April 1999, Joint Venture Inkai received from the government of Kazakhstan a mining licence for Block 1 and an exploration licence for Blocks 2 & 3. The associated subsoil use contract (Subsoil Use Contract), covering both licences, was signed by the government and Joint Venture Inkai in July 2000.

Test mining operations commenced in April 2002 at Block 2, following regulatory approval, and have continued since that time. At December 31, 2007, since the commencement of operations, the total production at the test mine was approximately 2.7 million pounds, with 2007 production being 0.6 million pounds. Expansion of the test mine at Block 2 was completed in the first quarter of 2006. Joint Venture Inkai has applied for a mining licence for Block 2, which it expects to receive prior to the July 2008 expiry of its exploration licence for Block 2. Once granted, Joint Venture Inkai expects that the Block 2 mining licence will expire in 2030. Commercial development of Block 2 is planned for 2008.

In September 2005, Joint Venture Inkai approved proceeding with an ISR commercial processing facility at Inkai, located at Block 1, and thereafter construction commenced. Joint Venture Inkai expects to complete construction and begin commissioning of the facility in the first half of 2008. Subject to regulatory approval and the availability of acid, commercial production is scheduled to follow in 2008. The mining licence for Block 1 expires in 2024.

A fire at an unrelated acid plant in Kazakhstan and a delay in the start-up of a new, unrelated plant has limited the availability in Kazakhstan of acid required for mining since the third quarter of 2007. Joint Venture Inkai and other ISR operations in Kazakhstan are receiving reduced acid allotments through KazAtomProm. These reduced allotments could continue through the second quarter of 2008 or longer. Joint Venture Inkai is making progress on securing alternative supply options and putting in place the necessary logistics. Joint Venture Inkai expects to have sufficient quantities of

acid for commercial production to occur in 2008. Joint Venture Inkai continues to acidify the existing wellfield at the Block 2 test plant and has commenced acidification of the new commercial wellfield at Block 1.

Annual production from Blocks 1 and 2 is expected to total 5.2 million pounds U_3O_8 (Cameco's share is 60% or 3.1 million pounds) by 2010. However, a non-binding memorandum of understanding (the "Inkai MOU") between Cameco and KazAtomProm provides for the doubling of future production capacity from the Inkai uranium deposit, raising the total annual production capacity to 10.4 million pounds on a timeframe yet to be confirmed. While the existing project ownership would not change, Cameco's share of the additional capacity under the MOU will be 50%, raising Cameco's share of targeted future annual production at Inkai to 5.7 million pounds. In addition to increased production, Cameco will work with KazAtomProm under the Inkai MOU to study the feasibility of constructing a uranium conversion facility in Kazakhstan and elsewhere. Cameco would provide the technology and potentially hold an interest of up to 49% in the facility, at the Company's discretion. Cameco anticipates that binding agreements relating to the subject matter of the Inkai MOU will be signed in 2008 and that various government approvals will be required to implement these agreements.

To date, Joint Venture Inkai has approval from Kazakh regulatory authorities to produce at an annual rate of 2.6 million pounds of U_3O_8 . In 2005, Joint Venture Inkai made an application for regulatory approval to increase the annual production rate from 2.6 million pounds of U_3O_8 to 5.2 million pounds. After an almost two year review by various Kazakh regulatory authorities, Joint Venture Inkai was informed by an inter-department Kazakh commission that Joint Venture Inkai would first have to demonstrate that it can produce at an annual rate of 2.6 million pounds of U_3O_8 and, after that, Kazakh regulatory authorities would consider Joint Venture Inkai's application to increase annual production.

Through its experience in constructing and operating the test mine, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Kazakhstan and, based upon its experience to date, Cameco has reasonable expectations that all permits and approvals required for the construction and operation of the new ISR mine at Inkai - including approvals for increased production - will be obtained in a timely fashion. Notwithstanding the foregoing, Kazakh regulatory authorities retain discretion whether to permit an increase in production capacity from Inkai and there is no assurance that such regulatory approvals will be granted. In the event that such regulatory approvals are not forthcoming, Cameco will be required to recategorize half the mineral reserves at Inkai as mineral resources. The Inkai mineral reserves are estimated based upon production at an annual rate of 5.2 million pounds of U_3O_8 . (See "*Legal and Regulatory Environment in the Republic of Kazakhstan*" below.)

The total cost to bring Inkai to commercial production (100% basis), including the cost of pilot test mine operations, is projected to be about \$245 million (US). The developmental expenditures for Inkai in 2008 are expected to total about \$45 million (US). The production from the test mine is being sold and the sales proceeds are used to fund construction and operation of the project. Including recoveries related to these sales, the net cost of development at Inkai is expected to be about \$110 million (US).

In 2006, a Cameco subsidiary signed an agreement to increase its loan to Joint Venture Inkai from \$40 million (US) to a maximum amount of \$100 million (US). The Cameco subsidiary also agreed to reduce its financing fee from an effective 10% interest rate to one based upon three-month London interbank offered rate (LIBOR) plus a financing fee based on LIBOR plus 2%. The \$40 million (US) loan amount was based upon constructing a facility that would produce 2.6 million pounds annually. In January 2008, a Cameco subsidiary signed an agreement to increase its loan to Joint Venture Inkai from \$100 million (US) to a maximum amount of \$200 million (US). After Joint Venture Inkai commences commercial production, 80% of the cash available for distribution each year will be used to repay the loan until repaid in full.

Joint Venture Inkai also has an exploration licence for Block 3, which will expire in July 2008. Joint Venture Inkai has applied for a two year extension of the licence. Under the Subsoil Law, as noted below, this is the last extension of the licence that Joint Venture Inkai may apply for and the grant of the extension is at the discretion of Kazakh regulatory authorities. In 2008, Joint Venture Inkai has budgeted \$3.7 million (US) for exploration drilling at Block 3.

Legal and Regulatory Environment in the Republic of Kazakhstan

Government and Political Factors

The Republic of Kazakhstan is a vast country of 15.2 million people, situated in the center of the Eurasian land mass. Established as an independent state in 1991 following the break-up of the Soviet Union, Kazakhstan is the ninth largest country in the world by area, and its subsoil yields a huge variety of mineral wealth, including oil, natural gas, coal, iron, copper, zinc, uranium, gold and chromium. The country also has well-developed agricultural and heavy industrial sectors. Kazakhstan borders Russia, Uzbekistan, China, Kyrgyzstan and Turkmenistan.

Kazakhstan is organized as a constitutional republic, with a President as its elected head of state, a prime minister appointed by the President as its head of government and a bicameral parliament, consisting of the Majilis (lower house) and the Senate (upper house). The country is divided into 14 oblasts and two municipal districts, representing its financial center, Almaty, and its capital, Astana, each headed by a governor known as an Akim.

The governmental and political systems in Kazakhstan have been quite stable since independence, although popular elections and democratic freedoms in the country have fallen short of international standards. The government is characterized by a strong presidency, the powers of which have been expanded by successive constitutional referendums. The current president, Nursultan Nazarbayev, has served in that capacity since independence. He was last re-elected to the post in December 2005 for his current 7-year term. The parliament is dominated by the Otan party, which is headed by President Nazarbayev.

Relevant Kazakh Laws and Regulations

Following its independence, Kazakhstan embarked upon an ambitious and relatively successful campaign to introduce legal, economic and political reforms and to foster the development of a market-driven economy. Various incentives were made available to foreign investors in hydrocarbon and mining sectors, and a number of production sharing agreements and other types of subsoil use contract have been concluded over the years.

Kazakhstan's legal system is based on European-style codes, which are supported and supplemented by ancillary legislation. Most legal relations are governed by the Civil Code of the Republic of Kazakhstan. The Civil Code broadly recognises, *inter alia*, the rights of foreign companies and citizens to enter into transactions and to own property in Kazakhstan. These rights are established in the Constitution and may be limited only by those restrictions set forth in the legislation of Kazakhstan.

Although Kazakhstan has well-developed legislation, many provisions are sufficiently vague as to give government officials discretion in their application, interpretation and enforcement. In addition, regulation of business in Kazakhstan continues to be influenced by historical notions of strong governmental control and regulation. This legacy, coupled with state institutions and a judicial system in which many foreign investors still lack confidence, present a challenging environment in which to do business.

The recent worldwide trend of resource nationalism has also been embraced by Kazakhstan in recent years, as previous benefits accorded foreign investors have been whittled away in the subsoil use sector, changes have been negotiated by the government into existing subsoil use contracts and new laws granting preferences to the state, state enterprises and domestic concerns have been adopted.

The Subsoil Law

The principal legislation governing subsoil exploration and mining activity in Kazakhstan is the Law on the Subsoil and Subsoil Use, dated January 27, 1996, as amended (the "Subsoil Law"). This law defines the framework and the procedures connected with the granting of subsoil rights, and the regulation of the activities of subsoil users. The subsoil, including mineral resources in their underground state, are state property, while resources brought to the surface belong to the subsoil user, unless otherwise provided by contract.

Subsoil rights become effective upon conclusion of a contract with the Competent Body (a Kazakh state agency designated as such from time to time (currently the Competent Body is the Ministry of Energy and Mineral Resources)). A previous licensing requirement, which applied to Joint Venture Inkai when it acquired its current subsoil rights, was abolished by the Law "On the Introduction of Amendments to Certain Legislative Acts of the Republic of Kazakhstan Concerning Subsoil Use and the Conduct of Petroleum Operations in the Republic of Kazakhstan," dated August 11, 1999 (the "Amending Law"). However, Article 2.3 of the Amending Law provides that all subsoil use licenses, like those of Joint Venture Inkai, that were issued before the enactment of the Amending Law, continue to be effective until the expiration of their respective terms, including periods of extension. Such licenses are regulated in accordance with the legislation of the Republic of Kazakhstan which was effective at the time of their issuance. Further, the same Article provides that the suspension, revocation, termination and invalidation of subsoil use licenses are regulated by the Subsoil Law without taking into account the Amending Law. Although the associated subsoil use contract, the Resource Use Contract, was concluded by Joint Venture Inkai after the adoption of the Amending Law, because they pre-dated the Amending Law, the two licenses held by Joint Venture Inkai continue in effect and are interpreted according the version of the Subsoil Law in effect at the time of their issuance on April 20, 1999.

The subsoil use rights held by Joint Venture Inkai under prior law came into effect upon the issuance of its two licenses, the conclusion of its Resource Use Contract, and approval by various bodies of the Resource Use Contract.

Under the legislation in effect at the time Joint Venture Inkai's licenses were issued, subsoil use licenses could be issued for exploration and/or production, for production sharing, and for construction of underground facilities. An exploration license, such as that granted to Joint Venture Inkai on Blocks 2 and 3, could be granted for up to 6 years, with the possibility of 2 extensions of 2 years each, provided that the obligations envisaged by the license, the subsoil use contract and the work program were fulfilled. A mining (production) license, such as that granted to Joint Venture Inkai in respect of Block 1, could be granted for up to 25 years (or up to 40 years for large deposits). The term of this license may be extended with the agreement of the Competent Body. The subsoil user must apply for an extension of either type of license not later than 12 months before expiration of the license.

The subsoil user is accorded, *inter alia*, the exclusive right to conduct mining operations; to erect production and social facilities; to freely dispose of its share of production; and to conduct negotiations for extension of the contract. The subsoil legislation contains guarantees providing that changes to legislation (except legislation involving national defence or security, ecological safety and public health) which worsen the position of the subsoil user are not applicable. The government has gradually weakened this stabilization guarantee, particularly in relation to new projects, and the national security exception is applied broadly to encompass security over strategic national resources. Absent violations of the terms and conditions of the licenses and subsoil use contract, and assuming compliance with applicable law in the ongoing activity of the subsoil user, the underlying subsoil rights are well-protected under the Subsoil Law.

A recent development that has caused concern to subsoil users occurred in October 2007, when the president signed into law amendments to the Subsoil Law, which purported to expand the ability of the Government of Kazakhstan or the Competent Body to unilaterally reopen existing subsoil use contracts under certain circumstances, including through:

- requiring the amendment of the terms of subsoil use contracts "for the purpose of restoring the economic interests of the Republic of Kazakhstan" where a subsoil user's actions in respect of "deposits of strategic significance lead to a material modification of the economic interests of the Republic of Kazakhstan creating a threat to national security";
- the unilateral termination of a contract if, within 2 months of notification, the subsoil user does not consent to conduct negotiations over the proposed amendments; or if, within 4 months following such consent to negotiate, the parties have not reached agreement; or if, within 6 months following a decision, the parties have not concluded the amendments to the contract; and
- the unilateral refusal by the state to perform a subsoil contract in such cases.

To date, the Kazakh Government has not published a list of deposits of strategic significance, and the foregoing amendments are widely perceived to have been directed at the petroleum contractors that are signatories to the North Caspian Production Sharing Agreement dated November 18, 1997, with which the government was engaged in a highly-publicized dispute. In spite of the uncertain constitutionality of the amendments and their potential inconsistency with bilateral investment treaties, international conventions and other laws, the threat created by the amendments has raised the risk profile of natural resource projects in Kazakhstan. Cameco does not have any reason to believe the new law will be applied to uranium projects in Kazakhstan. However, it is a concern going forward and the Company continues to monitor how the government uses these amendments to the Subsoil Law.

With respect to the activities of Joint Venture Inkai, Cameco continues to benefit from the Law "On Foreign Investments" dated December 27, 1994, which prohibited nationalization or expropriation, except for important public purposes, and in such cases prompt, adequate and effective compensation was mandated.

Work Programs

In addition to following its obligations under its licenses and the Resource Use Contract, Joint Venture Inkai, on the same basis as other subsoil users, is required to abide by the work program appended to its Resource Use Contract, which relates to mining operations over the life of the project (the "Work Program"), as well as the annual work programs which it must submit to the Competent Body for approval each year. Such annual work programs cover, *inter alia*, the introduction of new technologies or processes and define the levels of production volumes anticipated by the subsoil user in the coming year.

Any changes in the Work Program or in annual work programs require application to the Competent Body, generally supported by a technical study and corporate approvals of the subsoil user approving the requested changes. The application and supporting documents would likely also be reviewed by state bodies that were involved in the original approval of the Work Program. Because the approval of changes to the Work Program, as well as the approval of extensions of a production licence, is granted at the discretion of the Competent Body, favourable results of project work to date and a good working relationship with the government and joint venture partner are important.

Environmental Requirements

The mining activities of Joint Venture Inkai are subject to the environmental requirements of Kazakhstan legislation and regulations, in addition to the contractual undertakings set forth in the Resource Use Contract to conduct operations in accordance with good international mining practice.

The environmental protection legislation in Kazakhstan has evolved rapidly, especially in recent years. As the subsoil use sector has evolved, there is presently a trend towards greater regulation, heightened enforcement and increased liability for non-compliance with respect to environmental issues. The most significant development has been the adoption of the Environmental Code dated January 9, 2007 (and effective from February 3, 2007), which repealed the three main prior laws on environmental protection.

Both under the prior and the existing legislative regime, a subsoil user, such as Joint Venture Inkai, is obliged to comply with environmental requirements during all stages of the subsoil use project. Kazakhstan environmental legislation requires that a State environmental expert examination precede the making of any legal, organisational and economic decisions with respect to an operation that could impact the environment and public health. One of the documents that the subsoil user must provide in connection with the State environmental expert examination is an environmental impact assessment.

The Environmental Code provides that companies may be granted a "permit for environmental emissions" or an "integral environmental permit." This permit is a relatively new concept in Kazakhstan environmental legislation and is understood as a single document which certifies the holder's right to discharge into the environment, provided that it introduces the "best available technologies" and complies with specific technical guidelines for the emissions set forth by the environmental legislation. Joint Venture Inkai has applied for a permit for environmental emissions.

The Inkai ISR 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 a bank account are capped at \$500,000 (US).

Taxation

The Subsoil Use Contract lists the taxes, duties, fees, royalties and other governmental charges that are payable by Joint Venture Inkai. The tax law "On Taxes and other Compulsory Payments to the Budget" No. 2235 dated April 24, 1995, as amended and in effect on the date this contract was signed, is the tax code that applies for the purposes of calculating these governmental charges.

Joint Venture Inkai will be subject to taxes and royalties in Kazakhstan at statutory rates in effect at the time of signing the Resource Use Contract. The income tax rate is 30%. In 2007, after it received official government confirmation of Kazakh-defined reserves for Block 2, Joint Venture Inkai became subject to income tax. Joint Venture Inkai is also subject to royalties calculated as 1.5% of the gross value (calculated based on sales price) of production in each year. Joint Venture Inkai is also subject to a customs fee on the export of uranium and it is expected that this fee on the export of uranium will be approximately \$1million (US) per year once full production is achieved. In addition, a one-time payment of a commercial discovery bonus will be payable when Joint Venture Inkai receives confirmation of Kazakh-defined recoverable reserves located in a particular licensed area. The bonus is calculated as 0.05% of the value of Kazakh-defined recoverable reserves. After receiving such confirmation with respect to reserves in Block 2, Joint Venture Inkai paid a bonus of \$14 million (US) in the first quarter of 2008. These taxes, royalties, custom fees and bonuses are paid to the Kazakh government. The Kazakh-defined reserves do not conform with, and are not equivalent to, reserves classified under Canadian securities laws. Some reserves categories used by Kazakhstan overlap with multiple Canadian resources categories and are not consistent with Canadian standards.

Joint Venture Inkai will also be subject to excess profits tax. Excess profits tax becomes payable when the internal rate of return ("IRR") of the project (as defined in the applicable tax code) exceeds 20%. Excess profits tax is levied at rates scaled from 4% to 30%, depending on the IRR. The 4% rate is triggered at an IRR of 20% and the 30% rate is triggered at an IRR of 30%. The excess profits tax rate is applied to pre-tax net income less income tax. Joint Venture Inkai is not expected to pay excess profits tax in 2008. The timing of excess profits tax in the future, after Joint Venture Inkai reaches commercial production, will be dependent on the IRR of the project.

Exploration

A significant part of Cameco's future production is expected to result from its global exploration activities. Over the past five years Cameco has been significantly increasing its investment in exploration programs. Cameco invested about \$46 million in uranium exploration during 2007 and plans to invest \$50 million to \$55 million in 2008. In 2007, an additional \$30 million was invested in three junior exploration companies as part of a strategic alliances strategy that complements Cameco's own exploration programs.

The Company carries out exploration on a large and expanding land position, which, at December 31, 2007, had reached an area of approximately 5.2 million hectares (12.8 million acres). These exploration lands are principally located in Saskatchewan, Nunavut and Northwest Territories, the US, Australia, Mongolia and Africa. Exploration activities include brownfields work in close proximity to operating mines, greenfields exploration in new target areas, and alliances or other agreements with junior exploration companies that own prospective uranium targets.

Cameco owns a range of participating interests in its exploration lands, and either owns or has the right to earn a majority interest in most of its projects. At December 31, 2007, Cameco operated approximately 75% 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. The nature of mineral exploration is such that discovery of economic deposits on new projects is uncertain and can take many years.

Since the recovery of the world uranium market, and corresponding higher prices for uranium, the competitive environment for uranium exploration has changed. There are more than 400 uranium exploration companies listed on stock exchanges and most of these are actively funding new exploration programs in Canada and other regions. Cameco maintains an ongoing dialogue with numerous companies, with the objective of positioning the company for future participation in areas with promising results, and leveraging Cameco's recognized position in the sustainable development of uranium resources worldwide. Cameco's approach to future resource replacement will be to combine self-generated exploration activities with partnerships, joint ventures, or equity holdings in other companies with assets that meet the company's investment criteria.

As part of this strategy, Cameco has entered into several strategic alliances and continues to hold equity positions in several junior exploration companies. At December 31, 2007, Cameco held the following investments in other uranium exploration companies:

- A 21.45% interest in UEX Corporation, a TSX-listed junior exploration company formed in 2002 from a combination of exploration assets previously held by Cameco and Pioneer Metals Corporation. Cameco has, as long as it maintains a 20% or higher interest in UEX, certain rights related to financing and marketing production from future UEX uranium deposits. As well, Cameco has the right to mill uranium produced from properties it contributed to UEX at the time of its formation in 2002.
- A 19.5% interest in UNOR Inc., a TSX-listed junior exploration company with exploration assets in Nunavut. A strategic alliance agreement concluded with UNOR provides Cameco certain rights related to financing, mine operation, and marketing, as long as it continues to hold a 10% or greater equity interest in UNOR.
- In August 2007, Cameco entered into a strategic alliance with Western Uranium Corporation ("Western"), a TSX Venture Exchange-listed exploration company with mineral interests in Nevada, New Mexico, Nunavut and the Northwest Territories. Cameco acquired a 10% equity interest in Western in an August 2007 private placement of approximately 5.4 million units at a price of \$3.80 per unit for proceeds of approximately \$20.1 million. Each unit is comprised of one common share and one-half of a share purchase warrant. Each whole warrant will be exercisable to acquire an additional common share at a price of \$4.25 for one year. In return for this investment in Western, as long as it maintains a 7.5% or greater equity interest in Western, Cameco has certain rights related to financing, maintaining its proportionate ownership interest and board representation. In addition, this strategic alliance provides Cameco the right to earn a joint venture interest of 70% in each economically viable stand alone deposit developed within any area currently in Western's exploration portfolio if a significant discovery is made.
- In September 2007, Cameco entered into an agreement with Vena Resources ("Vena"), a TSX-listed exploration company, to establish a jointly-owned private company to explore and develop uranium assets in Peru. Any future acquisitions by Cameco or Vena involving uranium assets in Peru over a four year period will be conducted through the jointly-owned company. Cameco has the option to invest \$10 million over the next four years to obtain up to 50% of the jointly-owned company and can increase its stake to 60% when a feasibility study is completed on a uranium project and can further increase its stake to 70% when mine development commences. At December 31, 2007, Cameco had advanced \$1.85 million to the jointly-owned company.
- In September 2007, Cameco entered into a strategic alliance with Cue Capital Corp. ("Cue"), a TSX Venture Exchange-listed exploration company with uranium interests in Paraguay. As long as Cameco maintains securities of Cue at least equal to 90% of the number of units of Cue originally subscribed for, Cameco has certain rights related to financings, maintaining its proportionate equity interest and marketing. As well, Cameco will have the right to acquire a 60% interest in any significant uranium deposit discovered by Cue. Through the first two stages of a three-stage private placement, which closed in September and October 2007, respectively, Cameco has acquired 15.4% of Cue's outstanding common shares (consisting of 4,219,385 shares) for approximately \$7.2 million. Cameco also holds 2,109,692 common share purchase warrants of Cue, of which 1,323,529 warrants are exercisable at a price of \$2.43 per common share up until September 12, 2009 and 786,163 warrants exercisable at a price of \$2.14 per common share up until October 16, 2009.

In November 2007, Cameco signed an agreement to explore in Russia and Canada with Joint Stock Company Atomredmetzoloto ("ARMZ"), a Russian joint stock company which, as part of the restructuring and centralization of Russia's nuclear industry, will now control all of Russia's uranium mining assets previously controlled by Tenex. Pursuant to this agreement, Cameco and ARMZ will use their commercially reasonable efforts to establish and organize joint venture companies in Russia and Canada to explore for uranium deposits in north-western Russia and Saskatchewan and Nunavut and, if warranted, engage in development and production of deposits that are found. This agreement builds on memoranda of understanding signed in March 2007 and October 2006 between Cameco and Tenex. Cameco anticipates that binding shareholders' agreements and operators' agreements will be entered into in 2008.

In February 2008, a joint venture comprising Cameco Australia and Paladin Energy was awarded the rights to the Angela-Pamela exploration licenses, located in Northern Territory, Australia. The Angela-Pamela licenses include a known uranium deposit discovered in the 1970's but abandoned after uranium prices dropped, and subsequently removed from land available to industry by the Northern Territory government. A recent policy change by the Northern Territory government opened up this property for exploration via a bidding process, in which the Cameco-Paladin JV was the successful applicant. The JV will re-evaluate the existing deposits and conduct exploration with the objective of proving up an economic resource through this work.

Reserves and Resources

The disclosure in this Annual Information Form of scientific and technical information regarding Cameco's material uranium properties (McArthur River/Key Lake and Cigar Lake), including reserve and resource estimates, was prepared by or under the supervision of the following qualified persons:

Qualified Persons	Properties
Doug Beattie, Mine Manager, Rabbit Lake, Cameco Chuck Edwards, Principal Metallurgist, Mining, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Les Yesnik, General Manager, Key Lake, Cameco	Key Lake
David Bronkhorst, General Manager, McArthur River, Cameco Chuck Edwards, Principal Metallurgist, Mining, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco Greg Murdock, Technical Superintendent, McArthur River, Cameco	McArthur River
C. Scott Bishop, Chief Mine Engineer, Cigar Lake, Cameco Doug McIlveen, Chief Geologist, Cigar Lake, Cameco Chuck Edwards, Principal Metallurgist, Mining, Cameco Alain G. Mainville, Director, Mineral Resources Management, Cameco	Cigar Lake

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

Canadian Securities Administrators' National Instrument 43-101 requires mining companies to disclose mineral reserves and mineral resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Cameco reports mineral reserves and resources separately. (See *Note Regarding Reserves and Resources* above.)

Cameco reports all its mineral reserves as a quantity of contained ore supporting the mining plans and includes an estimate of the metallurgical recovery for each of its properties. Metallurgical recovery is a term used in the mining industry to indicate the proportion of valuable material physically recovered by the metallurgical extraction process. The estimated recoverable amount of a commodity is obtained by multiplying the reserves "Content" by the "Estimated Metallurgical Recovery Percentage".

Uranium Reserves

The following table shows the estimated uranium mineral reserves as at December 31, 2007 on a property basis and Cameco's share.

RESERVES	PROVEN (100% basis)			PROBABLE (100% basis)			TOTAL RESERVES (100% basis)			Cameco's Share (lbs U ₃ O ₈)	Estimated Metallurgical Recovery %	Mining Method
	Tonnes	Grade %U ₃ O ₈	Content (lbs U ₃ O ₈)	Tonnes	Grade %U ₃ O ₈	Content (lbs U ₃ O ₈)	Tonnes	Grade %U ₃ O ₈	Content (lbs U ₃ O ₈)			
(tonnes in thousands; pounds in millions)												
PROPERTY												
Cigar Lake	497.0	20.67	226.3	--	--	--	497.0	20.67	226.3	113.2	98.5%	UG
Crow Butte	1,467.5	0.18	5.9	--	--	--	1,467.5	0.18	5.9	5.9	85.0%	ISR
Gas Hills Peach	--	--	--	6,851.0	0.13	19.7	6,851.0	0.13	19.7	19.7	65.0%	ISR
Highland	328.5	0.15	1.1	600.1	0.11	1.4	928.6	0.12	2.5	2.5	80.0%	ISR
Inkai	7,463.0	0.08	13.7	86,428.0	0.07	128.8	93,891.0	0.07	142.5	85.5	80.0%	ISR
Key Lake	61.9	0.52	0.7	--	--	--	61.9	0.52	0.7	0.7	98.7%	OP
McArthur River	486.5	17.38	186.6	280.0	26.33	162.5	766.5	20.66	349.1	243.7	98.7%	UG
North Butte/ Brown Ranch	--	--	--	3,874.6	0.10	8.5	3,874.6	0.10	8.5	8.5	80.0%	ISR
Rabbit Lake	24.9	0.94	0.5	619.9	1.15	15.7	644.8	1.14	16.2	16.2	96.7%	UG
Ruby Ranch	--	--	--	2,832.2	0.09	5.5	2,832.2	0.09	5.5	5.5	80.0%	ISR
Ruth	--	--	--	853.7	0.09	1.7	853.7	0.09	1.7	1.7	80.0%	ISR
Smith Ranch	542.0	0.11	1.4	3,075.7	0.12	8.1	3,617.7	0.12	9.5	9.5	80.0%	ISR
Total	10,871.3	--	436.2	105,415.2	--	351.9	116,286.5	--	788.1	512.6	--	--

Notes:

- 1 Cameco reports mineral reserves and mineral resources separately.
- 2 Mill recovery factors must be applied in order to obtain the expected amounts of recovered pounds U₃O₈.
- 3 Mineral Reserves incorporate allowances for dilution and mining losses.
- 4 Mining Method: OP - Open Pit; UG - Underground; ISR - In situ recovery.
- 5 Mineral reserves are estimated using current geological models and current and/or projected operating costs and mine plans. Cameco's normal data verification procedures have been employed in connection with the mineral reserve estimations for each property.
- 6 For the purpose of estimating mineral reserves in accordance with NI 43-101, a uranium price of \$49.00 (US)/lb U₃O₈ was used. For the purpose of estimating mineral reserves in accordance with US Securities Commission Industry Guide 7, a uranium price of \$59.00 (US)/lb U₃O₈ was used. Estimated mineral reserves are identical at either price.
- 7 The key economic parameters underlying the mineral reserves include an exchange rate of \$1.00(US) = \$0.99 (Cdn) (reflecting the exchange rate at December 31, 2007).
- 8 Except as otherwise set out in this Annual Information Form, environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the above estimates of mineral reserves.
- 9 Totals may not add up due to rounding.
- 10 Inkai reserves assume production at an annual rate of 5.2 million pounds. Joint Venture Inkai currently has regulatory approval to produce at an annual rate of 2.6 million pounds and an application for regulatory approval to increase annual production to 5.2 million pounds was made in 2005. Through its experience in constructing and operating the test mine at Inkai, Cameco is familiar with the statutory, regulatory and procedural framework governing new mining projects in Kazakhstan and, based upon its experience to date, Cameco has reasonable expectations that all permits and approvals required for the construction and operation of the new ISR mine at Inkai - including approvals for increased annual production to 5.2 million pounds - will be obtained in a timely fashion. However, there can be no certainty that permits or approvals will be forthcoming in a timely fashion. Failure to obtain approval for increased production at Inkai will require Cameco to recategorize half the mineral reserves at Inkai as mineral resources. (See *Development Projects - Inkai* above.)

In addition to the above reserves, Cameco has contractually committed supplies, including supplies under the HEU Commercial Agreement, of approximately 41 million pounds of uranium from January 1, 2008 until the end of 2013.

Uranium Measured and Indicated Resources

Cautionary Note to Investors concerning estimates of Measured and Indicated Resources:

This section uses the terms “measured resources” and “indicated resources”. US investors are advised that while those terms are recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposit in these categories will ever be converted into proven or probable reserves.

The following table shows the estimated uranium measured and indicated resources as at December 31, 2007 on a property basis and Cameco’s share.

RESOURCES	MEASURED (100% basis)			INDICATED (100% basis)			MEASURED AND INDICATED (100% basis)			Cameco's Share (lbs U ₃ O ₈)	Mining Method
	Tonnes	Grade % U ₃ O ₈	Content (lbs U ₃ O ₈)	Tonnes	Grade % U ₃ O ₈	Content (lbs U ₃ O ₈)	Tonnes	Grade % U ₃ O ₈	Content (lbs U ₃ O ₈)		
PROPERTY											
Cigar Lake	--	--	--	61.2	4.86	6.6	61.2	4.86	6.6	3.3	UG
Crow Butte	64.5	0.23	0.3	1,603.1	0.23	8.2	1,667.6	0.23	8.5	8.5	ISR
Dawn Lake	--	--	--	347.0	1.69	12.9	347.0	1.69	12.9	7.4	OP&UG
Gas Hills – Peach	2,013.0	0.08	3.3	1,153.0	0.07	2.3	3,166.0	0.08	5.6	5.6	ISR
Highland	782.3	0.10	1.7	47.0	0.09	0.1	829.3	0.10	1.8	1.8	ISR
Inkai	--	--	--	10,904.0	0.07	17.8	10,904.0	0.07	17.8	10.7	ISR
McArthur River	75.0	8.51	14.1	39.8	8.37	7.4	114.8	8.49	21.5	15.0	UG
Millennium	--	--	--	468.9	4.53	46.8	468.9	4.53	46.8	19.6	UG
North Butte/ Brown Ranch	1,008.8	0.08	1.9	3,923.6	0.07	6.3	4,932.4	0.07	8.2	8.2	ISR
Northwest Unit	--	--	--	4,000.7	0.03	2.3	4,000.7	0.03	2.3	2.3	ISR
Rabbit Lake	140.5	0.72	2.2	340.2	0.81	6.1	480.7	0.81	8.3	8.3	UG
Reynolds Ranch	3,073.5	0.07	4.5	5,245.3	0.06	7.0	8,318.8	0.06	11.5	11.5	ISR
Ruby Ranch	156.0	0.17	0.6	108.0	0.06	0.1	264.0	0.12	0.7	0.7	ISR
Ruth	99.8	0.10	0.2	125.2	0.07	0.2	225.0	0.07	0.4	0.4	ISR
Shirley Basin	89.1	0.15	0.3	1,635.9	0.11	4.1	1,725.0	0.12	4.4	4.4	ISR
Smith Ranch	30.8	0.20	0.1	2,406.4	0.09	5.0	2,437.2	0.09	5.1	5.1	ISR
Total	7,533.3	--	29.2	32,409.3	--	133.2	39,942.6	--	162.4	112.8	--

Notes:

- 1 Cameco reports mineral reserves and mineral resources separately. The amount of reported mineral resources does not include those amounts identified as reserves.
- 2 Mining Method: OP – Open Pit; UG – Underground; ISR – In situ recovery.
- 3 Mineral resources are estimated using current geological models. Cameco’s normal data verification procedures have been employed in connection with the mineral resource estimations for each property.
- 4 Totals may not add up due to rounding.
- 5 Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Uranium Inferred Resources

Cautionary Note to Investors concerning estimates of Inferred Resources:

This section uses the term “inferred resources”. US investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource will ever be upgraded to a higher category. Under Canadian securities regulations, estimates of inferred resources may not form the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

The following table shows the estimated uranium inferred resources as at December 31, 2007 on a property basis and Cameco's share.

PROPERTY	INFERRED RESOURCES (100% basis)			Cameco's Share (lbs U ₃ O ₈)	Mining Method
	Tonnes	Grade % U ₃ O ₈ (tonnes in thousands; pounds in millions)	Content (lbs U ₃ O ₈)		
Cigar Lake	317.0	16.92	118.2	59.1	UG
Crow Butte	2,765.2	0.14	8.7	8.7	ISR
Gas Hills-Peach	656.8	0.05	0.8	0.8	ISR
Highland	587.6	0.15	2.0	2.0	ISR
Inkai	254,696.0	0.05	255.1	153.0	ISR
McArthur River	584.6	7.35	94.8	66.2	UG
Millennium	214.3	2.06	9.7	4.1	UG
North Butte/ Brown Ranch	618.5	0.07	1.0	1.0	ISR
Northwest Unit	627.8	0.04	0.5	0.5	ISR
Rabbit Lake	309.1	0.90	6.1	6.1	UG
Reynolds Ranch	5,333.3	0.04	4.9	4.9	ISR
Ruby Ranch	60.8	0.14	0.2	0.2	ISR
Ruth	210.5	0.08	0.4	0.4	ISR
Shirley Basin	506.8	0.10	1.1	1.1	ISR
Smith Ranch	595.7	0.07	0.9	0.9	ISR
Total	268,084.0	--	504.4	309.0	--

Notes:

- 1 Cameco reports mineral reserves and mineral resources separately. The amount of reported mineral resources does not include those amounts identified as reserves.
- 2 Mining Method: OP - Open Pit; UG - Underground; ISR - In situ recovery.
- 3 Mineral resources are estimated using current geological models. Cameco's normal data verification procedures have been employed in connection with the mineral resource estimations for each property.
- 4 Totals may not add up due to rounding.
- 5 Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- 6 Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category.

Uranium Reserves Reconciliation

The following reconciliation of Cameco's share of uranium mineral reserves reflects the changes in mineral reserves during 2007. The 2007 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, change in mining plans, re-estimation and reclassification. As well, in 2007, the additions to mineral reserves were almost equivalent to the amount of production. The more noteworthy change is at Inkai, where 16.9 million pounds of reserves were added as a result of new reserves at Block 2, the review of Block 1 reserves leading to their alignment with the Kazakh estimates and categorizations, and updated production plans.

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

	December 31, 2006	2007 Throughput ¹	2007 Addition (Deletion) ²	December 31, 2007
Reserves - Proven				
Cigar Lake	113,222	0	0	113,222
Crow Butte	6,515	(858)	253	5,910
Highland	782	(908)	1,208	1,082
Inkai	21,211	0	(12,966)	8,245
Key Lake	590	0	0	590
McArthur River	142,750	(12,999)	479	130,230
Rabbit Lake	1,011	(496)	0	515
Smith Ranch	1,458	(715)	629	1,372
Total Proven Reserves	287,539	(15,976)	(10,397)	261,166
Reserves - Probable				
Gas Hills - Peach	19,684	0	0	19,684
Highland	2,663	(873)	(391)	1,399
Inkai	47,412	0	29,848	77,260
McArthur River	113,442	0	0	113,442
North Butte/Brown Ranch	8,524	0	0	8,524
Rabbit Lake	18,104	(3,677)	1,270	15,697
Ruby Ranch	5,462	0	0	5,462
Ruth	1,689	0	0	1,689
Smith Ranch	8,317	0	(218)	8,099
Total Probable Reserves	225,297	(4,550)	30,509	251,256
Total Reserves	512,836	(20,526)	20,112	512,422

Notes:

- 1 Corresponds to millfeed. The discrepancy between the 2007 mill feed and Cameco's share of 2007 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.

Uranium Resources Reconciliation

The following reconciliation of Cameco's share of uranium mineral resources reflects the changes in mineral resources during 2007. The 2007 additions and deletions result from additional information provided by mining and milling, analysis of drilling results, re-estimation and reclassification.

There were only modest changes in mineral resources in 2007 as outlined in the table below. The more noteworthy of these changes are:

- At Inkai, 2.2 million pounds were added to the indicated resources due to the new production plan which displaces a fraction of the planned production from Block 1 to Block 2. The new estimate at Block 2 resulted in

the upgrading of 7.7 million pounds of inferred resources to the indicated category which were further converted to probable reserves.

- At Rabbit Lake, following successful underground drilling, all three resource categories show increases: measured are up by 2.2 million pounds; indicated by 3.9 million pounds; and inferred by 2.1 million pounds.
- At Millennium, additional drilling in the 2006 winter and a new structural interpretation lead to an increase in indicated resources of 3.9 million pounds.

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

	December 31, 2006	2007 Addition (Deletion) ¹	December 31, 2007
Resources – Measured			
Crow Butte	322	0	322
Gas Hills - Peach	3,346	0	3,346
Highland	1,663	0	1,663
McArthur River	9,827	0	9,827
North Butte/Brown Ranch	1,857	0	1,857
Rabbit Lake	0	2,224	2,224
Reynolds Ranch	4,493	0	4,493
Ruby Ranch	585	0	585
Ruth	216	0	216
Shirley Basin	304	0	304
Smith Ranch	138	0	138
Total Measured Resources	<u>22,751</u>	<u>2,224</u>	<u>24,975</u>
Resources-Indicated			
Cigar Lake	3,282	0	3,282
Crow Butte	8,100	144	8,244
Dawn Lake	7,436	0	7,436
Gas Hills - Peach	2,310	0	2,310
Highland	92	0	92
Inkai	8,516	2,182	10,698
McArthur River	5,136	0	5,136
Millennium	15,737	3,906	19,643
North Butte/Brown Ranch	6,303	0	6,303
Northwest Unit	2,341	0	2,341
Rabbit Lake	2,164	3,886	6,050
Reynolds Ranch	6,960	0	6,960
Ruby Ranch	143	0	143
Ruth	192	0	192
Shirley Basin	4,085	0	4,085
Smith Ranch	4,984	0	4,984
Total Indicated Resources	<u>77,781</u>	<u>10,118</u>	<u>87,899</u>
Total Measured & Indicated Resources	<u>100,532</u>	<u>12,342</u>	<u>112,874</u>

Note:

- 1 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.

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

	2007		
	December 31, 2006	Addition (Deletion) ¹	December 31, 2007
Resources – Inferred			
Cigar Lake	59,105	0	59,105
Crow Butte	10,083	(1,429)	8,654
Gas Hills – Peach	845	0	845
Highland	1,977	0	1,977
Inkai	160,793	(7,744)	153,049
McArthur River	66,151	0	66,151
Millennium	4,071	18	4,089
North Butte/Brown Ranch	966	0	966
Northwest Unit	508	0	508
Rabbit Lake	4,033	2,106	6,139
Reynolds Ranch	4,912	0	4,912
Ruby Ranch	184	0	184
Ruth	365	0	365
Shirley Basin	1,132	0	1,132
Smith Ranch	896	0	896
Total Inferred Resources	<u>316,021</u>	<u>(7,049)</u>	<u>308,972</u>

Note:

- ¹ 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.

Cameco estimates western world demand for UF₆ and natural UO₂ conversion services in 2007 was approximately 57 million kilograms of uranium. Cameco estimates that this demand will increase to approximately 69 million kilograms of uranium by 2017. Demand in the former Soviet Union, Eastern Europe and China in 2007 was about 9 million kilograms of uranium and Cameco estimates it will increase to about 18 million kilograms of uranium by 2017.

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 UO₂ or to UF₆ for enrichment. The enriched UF₆ is then converted to enriched UO₂. The natural UO₂ and enriched UO₂ are fabricated into pellets and loaded into fuel bundles for eventual use in nuclear reactors.

Supply

The western world UF₆ conversion industry consists of Cameco and three other significant producers with an annual conversion nameplate capacity of about 51 million kilograms of uranium. Cameco is the only commercial supplier of conversion for natural UO₂ customers in the western world. In 2001, BNFL announced that its Springfields plant would close in 2006 and sold its uncommitted UF₆ production to Cameco. Russia supplies most of the UF₆ conversion

requirements of the former Soviet Union and Eastern Europe in the form of LEU. Russia has not been a significant supplier of toll conversion services to the western world due to the level of integration in the Russian nuclear fuel cycle.

In March 2005, Cameco acquired additional UF₆ conversion capacity by entering into a 10-year toll-conversion agreement with BNFL (now Springfields Fuels Ltd. ("SFL")). Under the agreement, a base quantity of 5 million kilograms of uranium as UO₃, supplied by Cameco's Blind River operation, is to be converted annually into UF₆ by SFL's U.K. plant. The toll-conversion agreement is expected to keep the plant, which has a nameplate capacity of 6 million kilograms of uranium, open for the duration of this agreement, through 2016. Cameco entered into a number of long-term contracts with utility customers for a significant volume of conversion services to base load this agreement. SFL coupled with Cameco's Port Hope UF₆ conversion plant accounts for about 35% of western world UF₆ nameplate conversion capacity. In 2006, SFL began shipping UF₆ produced from UO₃ supplied by Blind River.

Supplies of UF₆ are also available from secondary sources including excess western inventories, Russian inventory sales in the form of LEU, 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 above.

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 requirements by entering into long-term contracts with primary conversion service providers. Prices are established by a number of methods, including fixed prices adjusted by inflation indices, market prices (spot or long term price indicators) and annual price negotiations. Contracts can also contain floor prices, ceiling prices and other negotiated provisions that affect the price ultimately paid. Fixed price contracts with adjustment for inflation are by far the most common.

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 long-term contracts. Cameco currently has UF₆ conversion services commitments in excess of 90 million kilograms of uranium with about 50 customers worldwide under long-term contracts. Cameco's five largest customers account for approximately 39% of these commitments. 52% of Cameco's committed UF₆ conversion services volume is to purchasers in the Americas, 18% in the Far East and 30% in Europe.

At December 31, 2007, most UF₆ conversion services commitments are under contracts that contain fixed prices with inflation escalators. Therefore, in the short term Cameco's financial results are relatively insensitive to changes in the spot price for conversion. Newer fixed price contracts being secured by Cameco generally reflect the improved market conditions at the time of contract award. In the coming years, Cameco's contract portfolio will be positively impacted by these higher fixed priced contracts.

UO₂

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

Volumes of Canadian UO₂ sales may increase slightly late in the decade if shut-in Canadian owned CANDU reactors are put back into service. In addition, Ontario has announced nuclear expansion plans. If the current CANDU reactor design is selected, Canadian UO₂ requirements will increase.

Operations

Cameco owns and operates Canada's only uranium refinery and conversion facilities. Through its subsidiary Zircatec, Cameco also is one of two Canadian commercial suppliers of fuel manufacturing services for CANDU reactors. Cameco has a uranium refining facility within close proximity to Lake Huron and approximately eight kilometres west of Blind River, Ontario (approximately 600 kilometres north-west 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 (pop. approx. 16,000) approximately 100 kilometres east of Toronto, on the shore of Lake Ontario. Zircatec's plants are located in Port Hope for the manufacture of fuel bundles and in Cobourg, Ontario, for the manufacture of zirconium parts for the fuel bundles and various reactors parts. Zircatec's Cobourg plant is 10 kilometres east of its Port Hope plant. Cameco's Blind River and Port Hope conversion facilities and Zircatec's Port Hope manufacturing facility were re-licensed by the CNSC for a five-year period that commenced on March 1, 2007.

Blind River - Refining

The Blind River facility has an annual licensed capacity of 18 million kilograms of uranium as UO_3 and in 2007 produced 9.5 million kilograms of uranium as UO_3 . 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 uranium concentrate suppliers from throughout the world into nuclear grade UO_3 . Nearly all of the UO_3 is shipped to Port Hope for conversion into either UF_6 or UO_2 or to Springfields, UK for conversion into UF_6 (see Uranium Fuel Conversion Services - *Market Background - Supply* above for details of the Springfields conversion arrangement). A small quantity of UO_3 is supplied to others for blending with enriched uranium to produce suitable reactor fuel.

The inventory stored at Blind River has been declining over the past several years and is now causing changes to the customary operating schedule at the refinery. In 2007, the limited supply of uranium feed for the Blind River plant resulted in lower UO_3 production. Under Cameco's conversion services contracts, customers supply the uranium to be processed. In the past, many customers stored large inventories at the Blind River facility, providing ample feedstock for the refinery. Customers now hold virtually no inventory as concentrates and provide the feedstock on a just-in-time basis. The result is that the Blind River refinery operates with more shutdowns as Cameco manages production to match the delivery of uranium feed - which at times falls short of plan. This, in turn, is reducing the supply of UO_3 feed for the conversion facilities at Port Hope and impacts those operations as well. However, shipments of UO_3 were made to SFL in the third quarter of 2007 so that they could maintain adequate inventories.

The production of UO_3 at Blind River is also affected by the temporary shutdown of the Port Hope UF_6 plant discussed below.

In April 2007, the CNSC amended Blind River refinery's operating licence to incorporate conditions for the addition of pollution abatement equipment to the Blind River incinerator. This equipment is required to meet new Canadian regulatory standards that came into effect January 2007. Installation of the equipment was completed in the second quarter 2007 and Cameco has recommenced incinerator operation.

In the fourth quarter 2006, Cameco filed a draft EA with the CNSC to support an increase in Blind River's annual licensed production capacity to 24 million kilograms of uranium as UO_3 from 18 million kilograms of uranium as UO_3 . Some relatively minor changes are required at the refinery to achieve the increased capacity. These changes require an environmental assessment and regulatory approval. This increase in Blind River's licensed capacity is intended to provide Cameco sufficient capacity to supply UO_3 to Port Hope, SFL and other customers. Cameco has received comments from various federal agencies on the draft EA and has addressed the agency questions in respect thereto. The CNSC is expected to issue its draft screening report by the end of the first quarter of 2008 and then final approval is anticipated by the end of the second quarter of 2008.

Port Hope - Conversion

The Port Hope conversion plants produce natural UO_2 and natural UF_6 . In 2007, the plants, together with SFL, produced 12.9 million kilograms of uranium. The UO_2 plant is licensed for 2.8 million kilograms of uranium per year and

produces UO_2 used as fuel in Canadian and other CANDU heavy water nuclear reactors, as well as blanket fuel for light water nuclear reactors. The UF_6 plant, licensed for 12.5 million kilograms of uranium per year, converts UO_3 to UF_6 using hydrogen, hydrogen fluoride and fluorine in a series of process steps. The UF_6 is then shipped to enrichment plants in the United States, Europe and Japan for further processing to low enriched UF_6 prior to conversion to enriched UO_2 , which is used as reactor fuel for light water nuclear reactors.

In July 2007, contamination of the soil under the Port Hope UF_6 plant was discovered. After initial localized investigations, production of UF_6 was suspended to allow a comprehensive investigation. Relevant regulatory agencies were notified and continue to receive updates. The local community was also advised of the situation and has been updated. Production of UO_2 and other activities at the site have not been affected.

Extensive work has been carried out to determine the extent of the contamination and assess possible methods of managing it, and determine how to prevent future contamination. In October 2007, Cameco received test results from groundwater samples taken in the conversion facility's parking lot indicating levels of uranium, arsenic and potassium above historic results from regular monitoring wells in the same area. These results indicate that the contamination may have passed under a municipal road that runs through the site. Drilling and sampling to determine the extent of the contamination will continue for part of 2008. The concentrations of these materials are very low, measured in parts per million, and the contamination remains isolated. The health and safety of employees and the public have not been jeopardized based upon a preliminary risk assessment.

Extensive reports on the situation at the UF_6 plant have been provided to the regulators. The most recent was a comprehensive environmental management plan submitted on December 20, 2007. These reports identified the root cause of the contamination as being the contact of corrosive chemicals and other liquids to floor structures that were not well designed for holding liquids over extended periods. Cameco has changed its operating practices to ensure that greater attention is paid to proper use and maintenance of in-ground structures.

Cameco has begun to develop a plan to address the corrective action recommendations resulting from the root cause analysis. One action taken was establishment of a task force, led by a third-party consultant, which has developed design criteria for in-ground structures and liquid management practices. Cameco is also developing and installing a new groundwater monitoring system, as noted below, that is intended to provide early detection of leaks from the UF_6 plant and to have the ability to assess the effectiveness of the new groundwater control measures.

In January 2008, the CNSC notified Cameco that it can begin installing the structures and new equipment required for safely operating the UF_6 plant. Cameco has removed most of the UF_6 plant floor and the top 0.6 metres of the soil beneath areas of the UF_6 plant where leakage was identified. Subsequent steps involve backfilling the excavated area, pouring the concrete floor of the UF_6 building, adding leak-proof surface coating and re-installing equipment. Replacement of the concrete floors has started.

Cameco has also begun installation of a control system intended to prevent the flow of groundwater in this area, focussing on preventing the further spread of contamination. Water collected through the system will be treated to remove contaminants before release to the environment. These measures are intended to be a part of a broader ground water management system outside of the UF_6 plant to be installed to contain, recover and treat affected groundwater.

Regulatory approval has been obtained from the Ontario Ministry of the Environment to take groundwater for treatment on an on-going basis. For the CNSC, Cameco must also complete and receive CNSC approval for a comprehensive risk assessment and the CNSC needs to accept that the design, installation and operation of the treatment system will effectively mitigate potential risks.

Cameco estimates it will cost \$15 to \$20 million to cleanup the soil and groundwater contaminated by this incident at Port Hope. In addition, Cameco expects to spend \$20 to \$25 million on plant improvements.

Cameco has set a target of resuming UF_6 production in third quarter of 2008 at the earliest. Resuming production at the UF_6 plant requires CNSC approval.

Cameco has met scheduled UF₆ deliveries since the UF₆ plant shut down. Cameco is working with its customers to manage its inventories in order facilitate customer delivery requirements at specific locations. In addition, the Company has both arranged for voluntary deferrals of UF₆ deliveries and purchased UF₆ conversion services. These actions are intended to allow Cameco to meet utility delivery commitments until Port Hope UF₆ production resumes, assuming customers do not accelerate deliveries and UF₆ production and other purchases proceed as planned.

The statements above and elsewhere in this Annual Information Form regarding the target date for resumption of Port Hope UF₆ production and certain other statements regarding future events that relate, directly or indirectly, to addressing the consequences of the Port Hope UF₆ plant soil contamination, including meeting UF₆ utility delivery commitments and the estimated cleanup and plant improvement costs, are forward-looking information and are based upon the following key assumptions and subject to the following material risk factors that could cause results to differ materially: Cameco has made certain assumptions regarding the timing of regulatory approvals for remediation activities, modifications to the UF₆ plant, and production restart, but they are subject to the risk that they take longer to obtain than anticipated; Cameco has assumed that the UF₆ plant can be brought back into production without unforeseen difficulty or delay, but that is subject to a number of risks including the risk of unusual difficulties arising from the extended length of time that the UF₆ plant has been shut down, the risk that there will be a delay in or failure to procure the required contractors, equipment and suppliers, the risk of equipment failure, the risk of natural phenomena, including weather conditions and fire, and the risk of delay or ultimate lack of success; Cameco has assumed that the findings in its preliminary risk assessment prove to be correct, but that is subject to the risk of adverse findings in the final risk assessment; and Cameco has assumed its efforts to meet scheduled UF₆ delivery commitments will succeed, but that is subject to a number of risks including customers accelerating UF₆ deliveries or UF₆ production, purchases and deferrals not proceeding as planned; and Cameco has made certain assumptions in connection with its remediation and plant improvements cost estimates, which are subject to the risk that costs are higher than expected.

Cameco has filed with the CNSC a project description for Vision 2010, a project to clean up and modernize the Port Hope conversion facility site. The project will be subject to an EA in order to comply with regulatory requirements. The draft EA scope has been issued and will go through a public comment process. Cameco expects that the final EA scope will be approved by the CNSC about mid-2008. Work has commenced on those aspects of the EA that Cameco is certain will be required. Design and preliminary engineering for the project are also underway.

The Port Hope conversion facility has approximately 200 unionized hourly employees who are represented by two locals of the United Steelworkers of America. Following a strike in 2004, a collective agreement was reached, which expired on June 30, 2007. A new collective agreement was entered into in June 2007, which expires in June 2010.

Zircatec – Fuel Fabrication

Cameco purchased Zircatec on February 1, 2006, at a purchase price of \$109 million. Zircatec's Port Hope facility manufactures fuel bundles for CANDU reactors. Zircatec's Cobourg facility produces zirconium tubing for use in fuel bundles, and other Candu reactor components and monitoring equipment. Zircatec has the capacity to produce approximately 1.2 million kilograms of uranium annually as finished fuel. Zircatec has approximately 120 unionized employees who are represented by the United Steelworkers. Zircatec's collective agreement with its unionized employees expires in June 2009.

Zircatec has signed a fuel manufacturing services agreement covering all of the fuel manufacturing requirements for the Bruce A and Bruce B reactors through to 2018. This represents a substantial portion of Zircatec's business. Under the arrangement, Zircatec will manufacture UO₂ provided by Cameco into finished nuclear fuel bundles for the Bruce A and B reactors.

The production of fuel bundles was suspended for a number of weeks during the third quarter of 2007 after a customer raised concerns about a defective fuel bundle manufactured by Zircatec. The defective bundle was discharged from a reactor on August 9, 2007. A root-cause analysis of the defective bundle was conducted with the help of an external consultant. All aspects of the manufacturing process that might have led to the defective bundle were considered. As a result of the investigation, Zircatec has introduced a more rigorous process review and control regime. Although no definitive cause of the defective bundle was identified, some possibilities were recognized, which has led to some

manufactured bundles being tracked closely. The investigation will not be completed until the customer has completed its post-irradiation examination early in 2008.

On October 1, 2007 Zircatec resumed production. The 2007 shortfall in production is planned to be made up during 2008. A shortfall in bundle production that occurred in 2006 was made up by the end of the second quarter of 2007.

Zircatec's Port Hope plant is planned to be modified to produce a new fuel bundle containing slightly enriched uranium dioxide powder ("SEU") for use in the Bruce A and possibly the Bruce B reactors. Zircatec has commenced the application process for regulatory approval from the CNSC to produce these new fuel bundles, known as Low Void Reactivity Fuel ("LVRF"). LVRF bundles are designed to improve the performance of the reactors and involve use of mixed natural UO₂ and dysprosium oxide in the centre element of each bundle and SEU in all other elements. Zircatec is currently licensed to process limited quantities of enriched uranium, but needs a license amendment to proceed with the manufacture of commercial quantities for the LVRF fuel bundles. The CNSC determined that an EA was required to support the license amendment and the plant modifications to manufacture LVRF. In the first quarter of 2008, the CNSC approved the EA for LVRF and Zircatec applied for the license amendment. Zircatec has already produced some demonstration bundles containing SEU. The modifications costs have been paid by BPLP. However, there is now a preliminary agreement between BPLP and BALP regarding new cost sharing arrangements for the Zircatec plant modifications.

Research and Development

The activities of all operations are supported by the Cameco 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 2007, expenditures related to these activities were approximately \$4 million.

Legal Proceedings

A description of certain legal proceedings to which Cameco or its subsidiaries are a party is included in Note 25 to the Consolidated Financial Statements for the fiscal year ended December 31, 2007, which are incorporated herein by reference.

Environmental Matters

Overview of Impacts

By their nature, Cameco's mining and uranium refining and conversion operations impact the environment. The Company's objective is to minimize that impact. In its operations, Cameco seeks to protect the environment by limiting emissions and managing wastes to attain levels as low as reasonably achievable, social and economic factors taken into account. This is commonly called the ALARA principle in radiation protection. Cameco monitors and measures the key characteristics of its operations and identifies those aspects that have or may have a significant impact upon the environment. Cameco's operations are subject to stringent government regulation relating to the protection of the environment, including requirements for reclamation and decommissioning of its operating sites.

Cameco's ten mining, milling and processing facilities disturb approximately 30 square kilometres of land. Considering the energy potential of the products of these sites, Cameco's operations affect a small fraction of land that would be required to generate the same amount of energy using other technologies. Cameco's current mining operations in northern Saskatchewan are underground mines and therefore the surface land impact is minimized. In the US and Kazakhstan, Cameco uses ISR mining to extract uranium from underground non-potable, brackish aquifers and therefore surface impact is minimal. Conceptual decommissioning plans, which incorporate environmental evaluation, are in place for all of the Company's operating sites.

The Company also seeks to maximize the lifespan of its operating sites to minimize environmental impacts. To that end, Cameco is planning to invest in the revitalization of its Key Lake and Rabbit Lake mills which have been in operation for 25 and 33 years respectively.

The Company seeks to continue its efforts to improve the management of process water and the impact upon receiving water bodies by upgrading its operating processes and adopting new technologies. Cameco intends to reduce the concentrations of molybdenum and selenium in the effluent released from Cameco's northern Saskatchewan operations. Historical accumulation and continued release of molybdenum and selenium has been identified as having the potential to cause adverse impacts to the environment. The first phase of the action plan for the Key Lake mill is expected to be in place in the first part of 2008 and capital expenditure for implementing this phase is expected to be \$14 million. At Rabbit Lake, a \$29 million project is currently under construction to reduce discharges of these elements. In addition, in 2006 Cameco installed a \$5 million water treatment circuit to reduce uranium in its discharges at Rabbit Lake, which has been very successful in reducing uranium concentrations beginning in 2007. Uranium loadings were reduced by a factor of 10 in 2007 compared to pre-2004 levels. An environment monitoring program has been developed with provincial and federal regulators to verify that improvements made in the mill effluent treatment process will result in improvements in the receiving environment.

As a result of the July 2007 discovery of soil and groundwater contamination under the Port Hope UF₆ plant, a number of initiatives are underway to rectify this situation, including establishment of a new groundwater management system to contain, recover, and treat the affected groundwater arising from UF₆ plant activity. Based upon a preliminary risk assessment and the low concentrations of contaminants in the soil and groundwater outside the foot of the UF₆ plant, Cameco has determined that the health and safety of the employees and the public have not been adversely affected. Cameco must complete and receive CNSC approval for a comprehensive risk assessment that will identify contaminants that could pose a risk to environment and verify that the selected methods of treatment will effectively mitigate potential risks. Cameco has estimated that it will cost about \$17 million to clean up the contaminated soil and ground water contamination from the Port Hope UF₆ Plant. As well, Cameco plans to spend \$20 to \$25 million on plant improvements. (See "the Nuclear Business- Uranium Fuel Conversion Services - Operations" for further information on the Port Hope incident.)

In January 2008, groundwater and soil contamination was discovered by Cameco at the Rabbit Lake mill. The relevant regulatory authorities have been notified. Cameco is assessing the extent of the contamination, possible methods to contain it, and how to prevent future contamination. Seepage from the mill is believed to be the source of the contamination. In order to effect initial repairs to higher risk areas, in March Cameco decided to extend the regularly scheduled mill shut down into April.

The ISR method employed in the US involves extraction of uranium from underground non-potable aquifers by dissolving the uranium with a carbonate-based water solution and pumping it to a processing facility on the surface. The ISR method employed in Kazakhstan by Joint Venture Inkai uses an acid in the mining solution. The injection and recovery system at Inkai is engineered to avoid migration of the mining solution to the higher purity water aquifer above the ore body.

The Company seeks to reduce its emissions to the air. At Port Hope, emissions of uranium and hydrofluoric acid to the air have been reduced through installation of new equipment and changes to operating procedures. McArthur River has a large refrigeration plant to control groundwater and stabilize fractured rock in mining areas underground. This plant uses refrigerants other than ozone-depleting chemicals that harm the earth's atmosphere. During 2004, the last year when data was assembled, Cameco's emissions of CO₂ were approximately 384,000 tonnes; two-thirds were due to indirect emissions from Cameco's use of electricity from external suppliers.

The greatest volume of solid waste produced on a routine basis by Cameco's operations is tailings from Cameco's mills in northern Saskatchewan. Mill tailings at Rabbit Lake and Key Lake are treated to stabilize contaminants and then deposited in engineered tailings management facilities. These facilities are constructed within mined-out open pits near the mills. To ensure that tailings are isolated from the surrounding environment, during production groundwater and surface water are diverted around the facilities, monitored, and treated if necessary. Once the facilities are

decommissioned, the ground water will be diverted around the tailings and monitored to ensure that its designed low environmental impact is assured.

The total number of reportable environmental events in 2007 was 22, higher than the 2006 total of 19. The most significant environmental event was the discovery of soil and groundwater contamination under the Port Hope UF₆ plant. While Cameco has shown that this discovery appears to have had limited environmental impacts, it was nevertheless a significant event due to failure to provide adequate early detection as well as from the regulatory and public stakeholder perspective. All other incidents were deemed to have low environmental consequence.

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 seeks to improve communication, on environmental and other matters, with communities in northern Saskatchewan and Ontario who are impacted by its activities. The Company organized the Northern Community Liaison Committee in 1990 and the Athabasca Working Group in 1993. The Company also cooperates with the northern community environmental quality committees organized by the province of Saskatchewan. At its fuel services sites in Ontario, Cameco also conducts regular environment-focused community liaison activities.

Cameco policies

The Company has a safety, health and environment committee of the board of directors, which oversees Cameco's environmental policies and programs and environmental performance.

In 2005, Cameco revised its safety, health, environment, and quality policy, which policy is available on Cameco's website. The policy contains a statement of Cameco's environmental principles and a description how these principles are to be implemented, including through seven corporate safety, health, environment and quality (SHEQ) programs under Cameco's management system. This policy was developed in order to address changing regulatory and industry standards and was approved and distributed in late 2005 for implementation. Although Cameco has had formal environmental and safety and health policies in place since 1991, the new policy and the supporting program documents further refine Cameco's commitment to ensuring policies, programs and procedures are in place for use by sites and corporate head office as part of an overall integrated management system. To further enhance this direction, Cameco is in the process of benchmarking its management system against those used in the nuclear power generation sector.

Among other things, this policy provides that Cameco is striving to be a leading performer through a strong safety culture and through the commitment to the following principles: keeping safety and health and safety hazards, including radiation exposures, and environmental risks, at levels as low as reasonably achievable; preventing pollution; complying with and moving beyond legal compliance requirements; ensuring quality of processes, products and services; and continually improving Cameco's overall performance.

Cameco's strives to be guided by environmental leadership principles in its activities. To that end, in 2007, the Company established an environmental leadership department and set ambitious long term goals in five areas (air, water, land use, energy consumption and waste.) More intermediate targets were also identified and the Company committed itself to support the environmental leadership agenda, measure performance and hold itself accountable to these principles. Cameco's 2008 objective is to integrate environmental leadership into the corporate SHEQ management systems, other key corporate programs and major projects. In addition, the Company plans to establish key performance indicators in the five performance areas and continue to develop a system to measure, track and report performance.

Cameco programs

Cameco's SHEQ management system for implementing its safety, health, environment, and quality policy includes seven programs that articulate what is expected from Cameco sites when undertaking actions to fulfill commitments contained in this policy and set out a course of activities to be undertaken to implement this policy. These seven programs are: quality management program; safety and health management program; radiation protection program; environment

management program; management system audit program; emergency preparedness and response program; and contractor safety and environment program. For 2007, \$85 million was invested in environmental protection, monitoring and assessment programs while \$10 million was directed to health and safety programs. Of the \$95 million of program spending, \$50 million related to capital expenditures, \$40 million related to program costs expensed and \$5 million related to decommissioning costs.

This integrated 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, ISO 14001. The Port Hope conversion facility, Blind River, Key Lake, McArthur River, Smith Ranch-Highland, Crow Butte and Inkai operations have been ISO 14001 certified. The ISO 14000 series provides a set of internationally accepted standards that assist companies in the development of environmental management systems, which in turn enhance environmental and corporate performance through quality and process improvements.

Cameco's environment and safety and health efforts are both corporate and site-based. In 2007, this structure was modified, creating divisional level support for the Mining, Fuel Services and Cameco Resources divisions in SHEQ and related technical support matters. This re-alignment of operational SHEQ activity is designed to further enhance consistent application of SHEQ policies and procedures, focusing on divisional-level consistency. As part of this 2007 operational re-organization, the corporate SHEQ function was also modified to fully integrate all aspects of the SHEQ management system under one group, provide additional support to manage and coordinate the Company's environmental assessment function and integrate the SHEQ audit function with other internal audit functions within the organization.

Under Cameco's management system audit program, sites perform internal audits of their safety and health, environment and quality (SHEQ) management system to ensure conformance to policies, programs and standards and compliance to regulatory requirements. In addition, Cameco conducts regular SHEQ audits of its sites through the corporate internal audit department. In practice, this typically results in corporate audits at each operating site every 18-24 months and audits at every construction or developmental site every 12 months. The purpose of the corporate audit program is to assess compliance with applicable laws, regulations, permit requirements, and with the Company's environmental (SHEQ) related policies and programs and site performance in reducing risk and managing requirements.

Regulatory Compliance

Cameco's exploration, development, mining, uranium processing and fuel manufacturing activities are subject to a wide variety of laws and regulations regarding environmental matters and the management of hazardous wastes and materials, including those of general application to environmental matters and those specifically associated with the nuclear sector. Changes in environmental laws and regulations or more stringent application of existing standards often occur, promoting continual improvement in the SHEQ aspects of the Company's business. This can result in additional expense, capital expenditures, limitations or delays in the exploration, development, operation or decommissioning of the Company's properties, which could have a material adverse impact upon Cameco.

Governmental controls and regulations address, among other things, the environmental impact of mining and uranium processing operations. Legislation and regulation in various jurisdictions establish system performance standards, air and water quality emission standards and guidelines, and other design or operational requirements for various SHEQ components of operations. Legislation and regulations also establish requirements for decommissioning and reclamation following the cessation of operations and may require that some former mining properties be actively managed for a long time.

Below is a discussion of the environmental regulation of Cameco's Canadian and US operations. Please see the Inkai, C enterra and Bruce Power sections of this Annual Information Form for a discussion of the environmental regulation of their respective operations.

Canadian Regulatory Compliance

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

Potentially significant environmental performance improvement challenges relate to the application of more stringent controls on fugitive uranium emissions from ventilation systems at fuel services facilities and reduced effluent chemical loadings from Cameco's Saskatchewan mine and mill sites. In the case of effluent chemical loadings, the current focus centers on reducing molybdenum and selenium loadings through additional chemical treatment techniques and evaluation of the application of membrane filtration technology. Other current performance improvement areas are associated with improved control of groundwater migration from facilities, firefighting and emergency response requirements, and decisions arising from the evaluation of substances carried out under the *Canadian Environmental Protection Act, 1999* ("CEPA"). Ongoing changes to the regulatory framework may also require additional response and expenditures by Cameco.

New 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, where studies typically set the stage for future regulatory obligations on the Company. Regulatory expectations of the CNSC, Canadian Environmental Assessment Agency and other federal and provincial regulators continue to evolve, and this can reasonably be expected to continue in pursuit of improved SHEQ performance.

Cameco is subject to stringent regulatory oversight by its main regulator, the CNSC, an independent commission established by the federal government under the Nuclear Safety and Control Act ("NSCA"). The CNSC regulates Cameco's compliance with the requirements of the NSCA, as well as the CEEA and the CEPA. Obtaining regulatory approvals, including for licence renewals and changes in operating practices, can take significant time due to the nature of the approval process, which at times can require an environmental assessment or extensive review of supporting technical data as well as supporting management programs and procedures. Cameco strives to improve both the quality and effectiveness of its regulatory approval proposals and submissions. This, coupled with programs and initiatives to ensure compliance with regulatory requirements, has resulted in significant capital expenditures and increases in operating costs.

In recent years, when auditing Cameco operations, the CNSC has put a priority on assessment of specific SHEQ programs. These have included such aspects as: radiation protection programs; environmental monitoring; fire protection; operational quality assurance; organization and management systems effectiveness; transportation systems; geotechnical monitoring; and ventilation systems. Regulatory assessments of program implementation effectiveness, as well as evaluation of safety culture and related human factors, are becoming more prevalent as the SHEQ systems mature. These system effectiveness and program-specific audits and regular site inspections by regulatory project officers have generated, and are intended to continue to generate, actions to improve SHEQ performance. The resulting program modifications are typically procedural and do not incur large capital costs; however, they are significant in terms of how these systems are applied and do result in increases in operating costs.

US Regulatory Compliance

Cameco subsidiaries' ISR operations in the US are subject to a wide variety of federal, state and local regulations, governing among other things, air emissions, water discharges, hazardous materials handling and disposal and site reclamation.

Through the US Nuclear Regulatory Commission ("NRC") and state environmental agencies, Cameco's US ISR subsidiaries mine permitting and licensing activities are subject to comprehensive environmental regulation. The mine permitting and licensing process typically takes several years to complete and requires the completion of environmental assessment reports. Public hearings and public comments are included in the process. In past, these US subsidiaries have been successful in obtaining the necessary permits and licenses to ensure sufficient permitted reserves are available to meet production plans.

After mining has been completed, an ISR wellfield must be restored in accordance with regulatory requirements. Generally, this involves restoring the groundwater to its pre-mining use or equivalent class of use water standard. Restoration of Crow Butte wellfields is regulated by the Nebraska Department of Environmental Quality ("NDEQ") and the NRC and restoration of Smith Ranch-Highland wellfields is regulated by the Wyoming Department of Environmental Quality ("WDEQ") and NRC.

Crow Butte has four wellfields under restoration. At mine unit #1, the groundwater has been restored to pre-mining quality standards, all of the wells plugged and piping removed. In accordance with regulatory requirements, Crow Butte has provided a \$25 million (US) letter of credit to the State of Nebraska as security for decommissioning the property.

Smith Ranch-Highland has two wellfields under restoration. At mine unit A, the groundwater has been restored to pre-mining quality standards and the area continues to be monitored for post-restoration environmental performance. At mine unit B, the ground water has been restored and is awaiting regulatory approval. In accordance with regulatory requirements, letters of credit totalling \$40 million (US) have been provided to the State of Wyoming as security for decommissioning Smith Ranch-Highland.

The NRC had previously considered adopting an alternate process whereby a state government (in non-agreement states such as Wyoming and Nebraska) could regulate groundwater issues through a memorandum of understanding entered into with the NRC. While the NRC has not made a final decision regarding the use of such memoranda, discussions continue with regulators to establish clear jurisdiction and criteria for wellfield restoration. A proposed rule is expected to be issued in the second quarter of 2008 that may resolve the issue of dual jurisdiction (NRC and state) over ground water at ISR facilities.

The time to acceptance for restoration of the remaining wellfields is an important issue for Cameco subsidiaries' US ISR operations, since it remains uncertain when, and at what cost, these operations will be able to complete restoration of mined out ISR wellfields to the required performance standard.

Decommissioning and Reclamation

Once the Company's reserves of a particular deposit have been exhausted or after processing activities have been permanently suspended, Cameco and its partners are required to decommission operating sites, including waste rock and tailings management facilities, and reclaim those areas affected by their activities, to the satisfaction of regulatory authorities.

Cameco's estimation of the future costs of decommissioning and reclamation costs is based upon the application of reclamation techniques, which are believed to be capable of generating reasonable environmental and radiological performance. The Company reviews these estimates for accounting purposes, as well as for licence renewal applications as required by regulatory agencies. Beginning in 1996, the Company has conducted regulatory-required reviews of its conceptual decommissioning plans for all Canadian sites. These periodic reviews are typically done on a five-year basis, or at the time of an amendment to or renewal of an operating licence.

Decommissioning plans are accepted by regulators in terms of "conceptual approval". This involves acceptance by the regulators that the Company has proposed a reasonable decommissioning concept upon which cost estimates can be prepared for financial assurance obligations. As Cameco properties approach or go into decommissioning, further regulatory review of the detailed decommissioning plans may result in additional requirements, associated costs and financial assurances.

At the end of 2007 Cameco's estimate of the total decommissioning and reclamation costs, based on current operations to date, for its operating assets was \$440 million, which is the undiscounted value of the obligation. At the end of 2007, Cameco's accounting provision for these costs totalled \$285 million, which represents the present value of the \$440 million mentioned above. Most of these expenditures are expected to be incurred at the end of the useful lives of the operations to which they relate. Therefore, the decommissioning and reclamation costs expected to be incurred over the next five years will not be material.

Cameco provides financial assurances in the form of letters of credit (LC), where required to regulatory authorities, for decommissioning and reclamation costs. Cameco's LCs issued in support of reclamation liabilities totalled \$300 million at the end of 2007. Since 2001, all Cameco's North American operations have had in place LCs providing financial assurance, which are aligned with preliminary plans for site-wide decommissioning. More specifically:

Saskatchewan - Financial assurances for decommissioning in the form of LCs have been filed with the Saskatchewan government for Rabbit Lake in the amount of \$36.4 million, for McArthur River in the amount of \$6.2 million, and Key Lake in the amount of \$38 million. Cameco is seeking to renew the operating licences for Rabbit Lake, McArthur River, and Key Lake. Therefore, the decommissioning estimates for these operations are under review and this will likely result in an increase in the amount of financial assurances required.

Cameco, as project operator of Cigar Lake joint venture, has filed a preliminary decommissioning and reclamation plan for the mine infrastructure and surface disturbance and has also provided a \$12.7 million LC for its share of the financial assurances for Cigar Lake decommissioning.

Ontario - Financial assurances for decommissioning in the form of LCs have been filed with the CNSC for Port Hope in the amount of \$96 million, for Blind River in the amount of \$36 million, and for Zircotec facilities in the amount of \$18 million. The decommissioning estimates for these facilities were reviewed as part of the renewal of their CNSC licences in 2007. As a result, the decommissioning estimates for these facilities have increased to about \$150 million

Cameco's US operations - Please see "*US Regulatory Compliance*" above for the reclamation and decommissioning arrangements and LCs pertaining to their operations.

Please see the Inkai, Bruce Power and Centerra sections of this Annual Information Form for a discussion of the reclamation and decommissioning arrangements pertaining to their operations.

Please also see Note 9 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2007 regarding Cameco's estimate of decommissioning and reclamation costs and related LCs.

Fuel Services Waste Management

Pursuant to the Reorganization of SMDC and ENL (now CEI), 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. CEI 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 and 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 ten 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. Part of the project remains in the environmental assessment process. In a hearing that took place in January 2007, the CNSC considered an environmental assessment screening report for this project. With respect to the Port Hope and Welcome Waste portion of the project, the CNSC has accepted the screening report and concluded the project, taking into account mitigation measures identified in the screening report, is not likely to cause significant adverse environmental effects.

Pursuant to the Principles of Understanding, in March 2004, Cameco reached an agreement to transfer the Port Granby Waste Site and Welcome Waste Site to the government of Canada, which through its ownership of ENL indirectly owned these waste sites prior to 1988. The transfer will occur after the government receives a licence to construct a

long-term waste management facility at these sites. As part of the transaction, the government has agreed to accept, without charge, 150,000 cubic metres of Cameco owned low-level radioactive waste.

The government has also agreed to assume all liability for wastes located at these sites after taking ownership, subject to Cameco's obligation to complete its maximum contribution of \$25 million towards management and decommissioning of Historical Wastes. Cameco had previously recognized this liability for its maximum contribution of \$25 million toward the cost of managing this material, of which about \$5 million has actually been spent to the end of 2007.

Cameco has an agreement with Denison Mines Corporation for the processing of certain uranium-bearing by-products from Blind River and Port Hope at the White Mesa mill in Blanding, Utah. While this arrangement has addressed the accumulated inventory of by-products and is addressing current recycling requirements for these by-products, other outlets are being considered. More specifically, in 2001, a mill scale pilot test program of recycling these by-products at Cameco's Key Lake mill was completed and, 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. Cameco must show progress in the reduction of the concentrations of molybdenum and selenium in the effluent released at the Key Lake mill before the CNSC can complete its evaluation of this proposal. If good progress is made, Cameco plans to submit an updated EA to move this project forward.

Government Regulation

Cameco's business is subject to various levels of extensive governmental controls and regulations that 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 that materially affect the Company's uranium business.

Treaty on the Non-Proliferation of Nuclear Weapons (the "NPT")

The NPT was established in 1970 and is an international treaty with the following objectives: to prevent the spread of nuclear weapons and weapons technology, to foster the peaceful uses of nuclear energy, and to further the goal of achieving general and complete disarmament. The NPT establishes a safeguards system under the responsibility of the IAEA. Almost all countries are signatories to the NPT, including Canada, the US, the United Kingdom and France. As Canada, the US and other jurisdictions signed the NPT, Cameco is subject to it and complies with IAEA requirements.

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 legislation, regulations and policy announcements. The regulations and policy announcements apply to any uranium property or plant in Canada that the CNSC may determine to be, or to have the capability of, producing or processing uranium for nuclear fuel application. The legislation and 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 *Eldorado Nuclear Limited Reorganization and Divestiture 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. Please see *Description of Securities - Restrictions on Ownership and Voting* for a description of the constraints imposed by this act.

Canadian Nuclear Safety and Control Act

In Canada, control of the mining, extraction, use and export of uranium is governed by the NSCA, a federal statute. The NSCA authorizes the CNSC to make regulations governing all aspects of the development and application of nuclear energy, including uranium mining, milling, conversion, fabrication and transportation. 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 and conditions of a CNSC licence. The licence specifies conditions that the licensees must satisfy in order to maintain the right to operate their 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 the 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 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, and the right to impose monetary penalties. The NSCA also grants the CNSC power to require nuclear power plant operator recertification and to set requirements for nuclear facility security measures. The NSCA also emphasizes environmental matters, including a requirement that licence applicants and licensees make adequate provision for the protection of the environment.

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 (including criminal prosecution in some circumstances) 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 provincial legislation in addition to federal legislation of general application.

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 Licences pursuant to 10 CFR, Part 40. The review of a licence application is governed by the *National Environmental Policy Act* ("NEPA") which is implemented through 10 CFR, Part 51.

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 Environmental Protection Agency ("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 pre-mining use standard in Wyoming.

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.

In all cases, failure to comply with NRC licence and/or state permit-to-mine conditions, or a failure to comply with other applicable rules and regulations, can bring enforcement action, which could result in an order to cease operations and other regulatory actions. NRC enforcement policy describes a progression of enforcement starting with a notice of violation 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.

At Smith Ranch-Highland, safety is regulated by the Wyoming State Mine Inspector's Office. The federal Occupational Safety and Health Administration regulates safety at Crow Butte.

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, Nebraska Department of Health and Nebraska Department of Water Resources.

The export of uranium from the US and the movement of nuclear materials within the US are also regulated by the NRC. While specific sales contracts are not reviewed or approved, export licences 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 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 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 crown lease. Surface exploration work of a Mineral Claim requires additional governmental approvals.

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 ten years, with a right to renew for successive ten-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 Company's 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 governments have a duty to consult First Nations before taking actions that affect the ability of First Nations to exercise these rights.

A 2004 decision of the Supreme Court of Canada, involving the Haida First Nation and lands not ceded to the government of British Columbia pursuant to a treaty, affirmed the existence of a legal duty on the government to consult and, in certain circumstances, accommodate asserted aboriginal interests on an interim basis pending final resolution by treaty or otherwise. The duty to consult and accommodate does not, however, extend to private industry that seek governmental approval to conduct activities on Crown land. Moreover, the duty does not require that the First Nation agree to the proposed accommodation. In a 2005 decision involving the federal Crown and the Mikisew Cree First Nation, the Supreme Court of Canada further examined consultation and accommodation duties, this time in the context of historical treaty rights. The Court confirmed that First Nations do not hold a veto power over a proposed project despite having a treaty right to be consulted. Further, the Supreme Court clarified that when a project contemplates any potential impact on the treaty rights of a First Nation, the Crown is not automatically obligated to consult with every First Nation that happens to be a signatory to that particular treaty before they take actions that will affect the ability of First Nations' people to exercise these rights.

In February 2004, Cameco received correspondence from the English River First Nation (the "ERFN") 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. In December 2006, Cameco was copied on correspondence sent by legal counsel to the ERFN to various provincial government Ministers that indicated that if any further permits are issued without appropriate consultation and notification, the ERFN will "take appropriate actions to prevent the permit holders from intruding on their property."

In January 2005, the Métis Nation of Saskatchewan made a similar assertion to that made by ERFN in February 2004, but which also threatened non-violent civil disobedience, which would have a negative impact on Cameco's operations. In February 2005, the Métis Nation of Saskatchewan stated that, in order to pressure the government of Saskatchewan to meet its demands, it would establish road blockades at junctions of certain provincial highways near Key Lake. As the threatened road blockades could have resulted in Cameco ceasing milling and mining operations at Key Lake and McArthur River, Cameco obtained an injunction from the Saskatchewan Court of Queen's Bench, prohibiting the Métis Nation of Saskatchewan from proceeding with the road blockade.

Although formal demands to be consulted came from the ERFN and the Métis Nation of Saskatchewan, the right to be consulted and accommodated with respect to development on aboriginal traditional lands is an expectation of all First Nation groups in northern Saskatchewan. 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 with them. Cameco also employs a significant number of First Nations and Métis people at its operations and has

substantial business relationships with First Nations and Métis residents in northern Saskatchewan and provides other social and educational support for them in northern Saskatchewan.

In addition, the ERFN has selected lands for Treaty Land Entitlement (TLE) designation that covers the mineral claims for the Millennium uranium deposit. Similarly, the Peter Ballantyne Cree has selected lands under the TLE process that cover portions of the mineral claims held by the Dawn Lake joint venture. The TLE process does not affect the rights of Cameco's mining joint ventures; however, it may have an impact on the surface rights and benefits ultimately negotiated as part of the development of the two uranium deposits. Cameco, as the operator of both affected joint ventures, is investigating the potential implications of the TLE issue.

First Nations in Saskatchewan generally assert that the historical treaties are not an accurate record of their agreement with the Canadian government and that they did not cede title to the minerals when they ceded title to the land. First Nations have launched a lawsuit in Alberta claiming that they did not cede title to oil and natural gas when they ceded title to the land. A similar lawsuit could be brought by First Nations in Saskatchewan.

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 the state) or mining claims located on property owned by the US Federal Government. In addition, the Company's subsidiaries acquire surface leases that allow wellfield installation and operation to permit the mining of the uranium reserves by ISR methods.

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 that 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. Tiered royalties become payable when these capital allowances are reduced to zero. 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:

	<u>Royalty Rate</u>	<u>Canadian Dollar Sales Price in Excess of:</u>
	6%	\$16.53
Plus	4%	\$24.80
Plus	5%	\$33.07

The above prices are applicable to 2007 and are in Canadian dollars. The index value required to calculate 2008 rates is expected to be published in April 2008.

For example, if the sales price realized by Cameco was \$35 per pound in Canadian dollars, tiered royalties would be calculated as follows (assuming all capital allowances have been reduced to zero):

$$[6\% \times (\$35.00 - \$16.53) \times \text{pounds sold}] + [4\% \times (\$35.00 - \$24.80) \times \text{pounds sold}] + [5\% \times (\$35.00 - \$33.07) \times \text{pounds sold}]$$

Cameco did not pay tiered royalties in 2006 and prior years due to the availability of prescribed capital allowances that reduce uranium sales subject to tiered royalties. Cameco's capital allowances were fully exhausted during 2007 and, therefore, Cameco paid tiered royalties in 2007 and expects to pay tiered royalties in 2008. Cameco currently estimates that tiered royalties will reduce net earnings between \$40 million and \$50 million in 2008. Cameco will be eligible for additional capital allowances once Cigar Lake commences production, at which time Cameco expects to not be required to pay tiered royalties until the additional allowances are fully exhausted.

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 0.15% (reduced from 0.3% prior to July 1, 2007) on paid-up capital in excess of \$10 million (note that this exemption amount can be as high as \$20 million, depending on the percentage of salaries and wages paid in Saskatchewan). This Saskatchewan tax on paid up capital will be eliminated July 1, 2008. In addition, Cameco, as a resource corporation in Saskatchewan, pays a corporate resource surcharge of 3.1% (reduced from 3.3% prior to July 1, 2007) 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 0.285% on paid-up capital allocated to Ontario.

Canadian Income Taxes

Cameco, certain wholly owned subsidiaries, Centerra and UEM are subject to federal and provincial income tax in Canada. Current income tax expense for 2007 was \$99 million.

For federal income tax purposes, 100% of royalties are deductible in 2007. Cameco's Ontario fuel services operations and Bruce Power are eligible for the manufacturing tax credit and processing tax credit.

US Taxes

In Wyoming, Cameco subsidiaries pay severance taxes, property taxes and ad valorem taxes. In Nebraska, Cameco subsidiaries pay severance taxes and property taxes. The total of these taxes paid in 2007 was \$3.5 million (US).

The Company's US subsidiaries are subject to US federal and state income tax. 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. Current income tax expense for 2007 was \$2.9 million.

Kazakhstan Taxes

(See *Development Projects – Inkai* above)

Employees

At December 31, 2007, Cameco and its subsidiaries had 2,720 employees (this number does not include Centerra and Joint Venture Inkai employees). Of this total, 831 employees are represented by four separate locals of the United Steelworkers trade union. The collective agreements for each of the two bargaining units at the Port Hope conversion facility and the collective agreement for the bargaining unit at Zircatec expired in June 2007 and new agreements have been entered into, for three and two year terms, respectively, for the Port Hope facility and at Zircatec. The collective agreement for the bargaining unit employees at the McArthur River and Key Lake operations expires on December 31, 2009.

BRUCE POWER LP – NUCLEAR ELECTRICAL GENERATION

Overview

Business

Cameco, through subsidiaries, owns a 31.6% limited partnership interest in BPLP. BPLP's business is the generation and sale of electricity into the Ontario wholesale market. Electricity from the Bruce site is generated by four Bruce B and two Bruce A nuclear-powered units. The Bruce B nuclear units and two Bruce A units have capacity to supply about 20% of Ontario's electricity needs. As of October 31, 2005, BPLP was restructured and a new Bruce Power A Limited Partnership ("BALP") was formed to hold a sublease for the two Bruce A nuclear-powered units that have been operating and two additional Bruce A units that are presently undergoing refurbishment. Cameco no longer holds an interest in the four Bruce A units and does not have any ownership interest in BALP.

Nuclear generation harnesses the energy released during controlled nuclear fission reactions to produce steam that is used to drive turbines to generate electricity. Nuclear generation has two main advantages: it is a relatively low marginal-cost production technology and it produces virtually no SO_x, NO_x, CO₂ or mercury. The latter advantage is increasing in significance as governments implement stricter air emission standards.

Nuclear stations have greater operational, maintenance, waste and decommissioning costs and have greater initial capital development costs than other generation technologies. This reflects the complexity of the technical processes that underlie nuclear power generation and additional design, security and safety precautions that are taken to protect the public from potential risks associated with nuclear operations. Offsetting these cost factors is the relatively low cost of nuclear fuel compared with fossil fuel costs. In general, BPLP's nuclear stations have a lower operating cost per megawatt-hour of electricity produced than fossil fuelled facilities.

Acquisition of Interest

In 2001, Cameco, through its wholly owned subsidiary, Cameco Bruce Holdings Inc., acquired an initial 15% limited partnership interest in BPLP, an Ontario limited partnership, and directly acquired a 15% shareholding interest in Bruce Power Inc., the general partner of BPLP. BPLP concurrently entered into agreements with Ontario Power Generation Inc. ("OPG") and certain of its subsidiaries to lease and operate the Bruce A and B nuclear-powered units and related facilities located in south-western Ontario.

Subsequently, in February 2003, British Energy plc ("BE") sold a 79.8% limited partnership interest in BPLP to a consortium of Cameco, TransCanada PipeLines Limited ("TransCanada"), and BPC Generation Infrastructure Trust ("BPC"), a trust established by the Ontario Municipal Employees Retirement System. This brought Cameco's total indirect limited partnership interest in BPLP to 31.6%. Cameco concurrently increased its shareholding 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% limited partnership interest in BPLP and a 33 1/3% shareholding interest in Bruce Power Inc. from the same BE affiliate. The Power Workers' Union and The Society of Energy Professionals increased their collective limited partnership interest in BPLP to 5.2%, by acquiring BE's remaining 2.6% limited partnership interest in BPLP 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 BPLP. BPLP used these funds to pay \$225 million in deferred rent that it owed to OPG (see *Overview-Bruce Power-OPG Lease* below). The loan is due March 31, 2009 and bears interest at 10.5% per annum. At December 31, 2007, the entire amount was outstanding. BPLP plans to repay the loan in 2008 as part of the excess cash distributions to be made monthly to its limited partners, including Cameco.

Following closing, Cameco continued as BPLP's fuel manager (see *Cameco Fuel Management* below).

2005 Bruce Power Restructuring

In October 2005, BPLP was restructured and concurrently announced a new arrangement with the Ontario government including a \$4.25 billion program to increase output of the four Bruce A reactors. Under the restructuring agreements, BALP was formed and the four Bruce A reactors were subleased by BPLP to BALP.

In August 2007, BALP amended its agreement with the Ontario government to include the complete refurbishment, subject to certain conditions, of unit A4 at an estimated cost of \$1 billion. Cameco is not part of BALP and will not invest in the \$5.25 billion refurbishment program, which will involve refurbishing and restarting units A1 and A2 and refurbishing units A3 and A4.

Cameco maintained its existing 31.6% interest in BPLP, which is responsible for the overall management of the Bruce site and leases the four Bruce B reactors. BPLP received certain payments in consideration for entering into the sublease with BALP, for the assets transferred to BALP and for refurbishing and unit costs already incurred by BPLP. As a result, BPLP paid a special distribution to its limited partners of which Cameco received \$200 million. Day to day operations at the Bruce Power site were unaffected by this reorganization.

Under the new restructuring agreements, the electricity output from the Bruce B units will continue to be sold primarily either into the Ontario spot market or directly to various customers under long-term, fixed price contracts, at the discretion of BPLP.

As part of the restructuring, Cameco no longer has an obligation to procure or supply uranium concentrates to the Bruce A reactors, but will continue to be the fuel procurement manager for the Bruce A and B units. Subsequently, Cameco and BALP have agreed to a proposal whereby, subject to certain conditions, Cameco will supply uranium concentrates to BALP.

Under an arrangement with the Ontario government, as part of the restructuring, BPLP receives electricity floor price protection for sales into the spot market, transmission unavailability protection, and protection against governmental discriminatory actions. The floor price is set at an average monthly price of \$45/MWh in 2005 escalated for inflation. The floor price has a true-up mechanism, which is settled on a monthly basis with a contingent support payment. The aggregate of contingent support payments is tracked, as any payments received are subject to a recapture payment dependent on the annual spot prices. BPLP would have to pay back the difference between the market and floor price, up to the value not exceeding the current contingent support payment balance. If a repayment is made, this amount is then subtracted from the contingent support payment balance.

The reorganization involving Bruce A resulted in a loss of \$62 million for Cameco in 2005, reflecting the fact that the payments received by BPLP in connection with the reorganization are less than the carrying value of BALP to BPLP, as well as a write-off by Cameco of certain proprietary costs related to its interest in BPLP.

Following the restructuring, Cameco began to proportionately consolidate its share of BPLP's financial results. Cameco's move to this new method of accounting was driven by incremental changes to the limited partnership agreement, which resulted in joint control among the three major limited partners. Proportionate consolidation is required for investments in jointly controlled entities.

Cameco's total commitment for financial assurances given on behalf of BPLP is estimated to be \$239 million at December 31, 2007. These financial assurances include financial assurances given to the CNSC in support of BPLP's operating licence, guarantees in favour of OPG under the Lease (as defined below), and guarantees in support of BPLP'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 price changes. As at December 31, 2007, the actual exposure was \$82 million. See Note 25 to the Consolidated Financial Statements of the Company for the fiscal year ended December 31, 2007.

The BPLP partners have also agreed that all future excess cash will be distributed on a monthly basis and that separate cash calls will be made for major capital projects.

Bruce Power-OPG Lease

In May 2001, BPLP, as tenant, signed and closed agreements to lease and operate the Bruce A and B nuclear powered units and related facilities in south western Ontario with OPG and certain of its subsidiaries. The initial lease period expires in 2018. BPLP 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 in 2003 as part of the 2003 acquisition from BE described above and again in 2005 as part of the 2005 BPLP restructuring described above (as amended, the "Lease").

BPLP 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.

Under the Lease, 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 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 present value of any increase of the anticipated cost of decommissioning the Bruce Power facility discounted to January 1, 2001, determined using predetermined principles and assumptions. BPLP and OPG are currently reviewing the anticipated cost of decommissioning the Bruce Power facility and therefore there may be an adjustment to the base rent. In addition to the base rent, annual supplemental rent, which is subject to escalation by inflation, per operating reactor is also payable. For each year in the period 2004 to 2008, the aggregate of the base rent and supplemental rent, subject to limited exceptions, cannot be less than \$190 million. In 2007, the aggregate of these rent payments was approximately \$241 million. There are no adjustments to either base rent or supplemental rent with respect to used nuclear fuel liabilities during the initial term of the Lease (which expires in 2018). Commencing in 2008, BPLP 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 of \$175 million, certain ongoing operational requirements during handover and certain shut-down conditions prior to handover. Cameco has severally guaranteed BPLP's performance of these obligations.

The Generating Facilities

Overview

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 about 3,360 megawatts, were commissioned between 1984 and 1987. The four Bruce A reactors, with a combined generating capacity of about 3,000 megawatts, were commissioned between 1977 and 1979 and removed from service by OPG between 1995 and 1998. BPLP returned two of the Bruce A reactors to service, with a combined net generating capacity of 1,500 megawatts. As described above, in October 2005 BPLP was restructured and the four Bruce A reactors were subleased to a new limited partnership, BALP. Cameco does not have any ownership interest in BALP. An average capacity factor of 89% was achieved by BPLP during 2007 compared to 91% achieved in 2006.

In 2007, BPLP's capital expenditures were about \$98 million. In 2008, this capital expenditure program is expected to total \$124 million.

New Fuel Program

As part of its Bruce B power uprate project, BPLP had initiated plans to refuel the Bruce B units with modified fuel containing SEU and Blended Dysprosium Uranium ("BDU"). This refuelling was planned to commence in 2008, but now has been delayed, as outlined below. Prior to 2004, all of the four Bruce B units were 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 events. The operating limitation ensures that the necessary safety margin is maintained. The use of the modified fuel was intended to restore the safety margins of the reactors and allow them to operate at their design

capacity. Currently, the Bruce B units are operating safely with the reduced operating margins. In early 2007, the operator of the A and B units revised its fuel deployment strategy and is now developing plans to load the modified fuel into refurbished reactors (commencing with the Bruce A reactors) prior to loading any modified fuel into the Bruce B reactors. This revised strategy, while subject to finalization of all commercial arrangements, will effectively delay the power uprate program at Bruce B. A similar safety margin issue exists at the Bruce A units and regulatory approval of the Bruce A refurbishment program is dependent on the modified fuel being deployed in the refurbished reactors. This strategy change recognizes the time required to complete the extended regulatory process to approve the Zircatec manufacture of the modified fuel and loading the Bruce A units. The Bruce A1 and A2 units are scheduled to be restarted in late 2009 and early 2010 and the initial fuel cores will be comprised entirely of fuel bundles containing natural uranium. Once the reactor cores approach an equilibrium state, the new modified fuel, containing SEU and BDU, will be loaded as part of the normal refuelling operations.

BPLP has successfully taken other steps to partially restore power rating at the Bruce B units. In 2004, the CNSC provided approval to operate the Bruce B units at up to 93% maximum power on the basis of improved safety margins attributed to completion of the fuel core reordering program. Bruce B units 5, 6 and 7 have achieved this power uprate with Bruce B unit 8 scheduled for the second half of 2008.

While the delay of the deployment of the modified fuel at Bruce B is not expected to result in any derating due to the low probability event margins, it remains possible that the units could experience significant derating in the future due to this issue. However, some small, marginal deratings are also possible to maintain the operating safety margins as the units continue to age.

Operating Life Assessment

The initial estimated operating life for Bruce's nuclear generation units was 30 years. OPG undertook a comprehensive inspection and testing program in order to ascertain the physical condition of its nuclear generating assets, including the Bruce units, and BPLP has continued that program, partially by way of contract with OPG. BPLP's current operating life estimates for the Bruce B units are based on the results of this program to date and on the previous operating history of the units. BPLP estimates that the operating life of the last of the four Bruce B nuclear units will end about mid-2020 (based upon 201,000 effective fuel power hours for fuel channels). The operating life for the other three "B" units is expected to end during the period 2017 to 2018.

As a key part of its 1997 Nuclear Recovery Plan, OPG has undertaken, and BPLP has continued at Bruce, an ongoing program to assess the condition of key components of the system including its steam generators, fuel channels and feeder pipes. As of December 31, 2006, 100% of BPLP's steam generators (with 100% of the areas of the inner tubes likely to experience degradation) had been inspected and the present condition of these components has been ascertained with a reasonable degree of certainty. On the basis of the steam generator program inspection results, periodic cleaning, repairs and internal modifications have been deemed necessary to slow down the degradation rates and restore unit reliability. BPLP is currently implementing comprehensive operation and maintenance life cycle management plans for its units aimed at enabling the steam generators to operate for the expected life of the units. Current estimates of the steam generator life are within the estimated operating lives of the units. In 2003, inspections on Bruce B Unit 8 identified some erosion on support plates in three of the eight steam generators. Repairs were made and no damage to the boiler tubes was detected. Inspections on the other units have found no similar conditions and follow-up inspections on Unit 8 did not show any further degradation.

Current inspections in the fuel channel program support the engineering assessment of the fuel channels lasting until the end of the estimated operating lives for the Bruce B units. Maintenance activities at the Bruce site to reposition the support springs in the fuel channels started in 2001 with the objective to ensure that the end of life projections are achieved.

Feeder pipes are part of the piping system that carries hot water between the reactor and the steam generators. Thinning of feeder pipes occurs to varying degrees at all of Bruce's reactors. Extensive inspections have been carried out to establish the current condition of the feeder pipes of the Bruce units. Feeder pipe thinning and degradation are phenomena common to CANDU reactors and are the subject of industry studies and monitoring. However, compared to

other CANDU units, they have occurred to a lesser extent at Bruce B due to the derating of the units, resulting in less harsh operating environments. The feeder pipes are thus not expected to limit the life of the units, although it is expected that if the units are refurbished to extend their operating lives, the feeder pipes will be replaced and upgraded.

Cracking of feeder pipes has been experienced at two CANDU plants located outside Ontario. The affected sections of pipe were replaced and the units were returned to service. BPLP has not experienced any feeder pipe cracking at any of its nuclear reactors but is carrying out inspections during regularly planned outages. The scale of these inspections has been increased in response to these external events. BPLP is also participating in research and development with other CANDU operators to establish the degradation mechanisms.

CANDU Technology

The Bruce A and B units are CANDU reactors. CANDU is a pressurized-heavy-water, natural-uranium power reactor first designed in the 1960s by a consortium of Canadian government agencies and private industry. All commercial nuclear reactors in Canada use the CANDU technology. It is also the power-reactor product marketed by Canada abroad. CANDU reactors are currently operating in Ontario, Quebec, New Brunswick, Argentina, Romania, South Korea and China.

CANDU reactors are unique in their use of natural-uranium as fuel and deuterium oxide, or heavy water, as both a moderator to slow down the fission process and a heat transfer medium within the reactor. The refuelling system is also unique compared to light water reactors in that the CANDU reactors can be refuelled at full power. Notwithstanding that CANDU reactors can be refuelled without being shut down, the number of outage days per year for Bruce's CANDU reactors currently tends to be greater than the average number of outage days per year for light water reactors, primarily due to maintenance and repair work required for pressure tubes and feeders, which are not used in light water reactors.

All of the Bruce reactors have two physically separate and independent systems designed to shut down the reactor within two seconds of being activated. Each of these systems is independent of the primary control systems and includes multiple sensors for detecting emergency conditions. The Bruce reactors also have an emergency core coolant injection system, which would be activated in the event of a pipe break in the reactor coolant system. In addition, all of Bruce reactors have a negative pressure containment system designed to keep radioactive material safely contained.

Employees

BPLP has approximately 3,700 employees. Most of them are unionized. The PWU and the Society Collective Agreements expire December 31, 2009. Under the 2005 restructuring agreements, all employees remain with BPLP and all employee costs are apportioned between BPLP and BALP.

Cameco Fuel Management

Cameco continues to have overall responsibility to procure nuclear fuel for BPLP. This includes the supply by Cameco of all uranium concentrates and UO₂ conversion services required for the Bruce B nuclear generating stations, making BPLP a significant customer for Cameco's core products. Cameco is also responsible to procure nuclear fuel for BALP. This does not include the procurement or supply to BALP of uranium concentrates. However, Cameco and BALP have agreed to a proposal whereby, subject to certain conditions, Cameco will supply uranium concentrates to BALP.

Zircatec has signed a fuel manufacturing services agreement covering all of BPLP's and BALP's fuel manufacturing requirements until the initial term of the Lease expires in 2018. Under this agreement, Zircatec will manufacture UO₂ provided by Cameco into finished nuclear fuel bundles for the Bruce A and B units.

BALP is also pursuing the use of SEU as part of its refurbishment project for the two Bruce A units. Cameco is working with BALP, Zircatec and others in the development of SEU. Cameco expects BALP's use of SEU will not significantly reduce natural UO₂ conversion services sold to BALP.

Zircatec's Port Hope plant is planned to be modified to produce fuel bundles containing SEU, subject to reaching agreement with BALP. Zircatec has commenced the process to obtain regulatory approval from the CNSC to produce these fuel bundles (see *Uranium Fuel Conversion Services – Operations* above).

OPG Services to Bruce Power

As part of the 2001 OPG-BPLP transaction, OPG agreed to provide certain services to BPLP. Some of these services are required in order for BPLP to comply with terms of its CNSC operating licences. The material short-term OPG services include fuel channel inspection and maintenance services. These services may be terminated upon 24 months prior notice by either BPLP 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 below 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 BPLP. 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.

OPG assumes title to the used nuclear fuel bundles discharged from the Bruce reactors during the term of the Lease. At its expense, OPG is responsible for the disposal of these nuclear fuel bundles for which it receives a fee paid as supplemental rent under the Lease. OPG has commenced the 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. OPG retains title to all used nuclear fuel bundles stored in the wet bays before May 11, 2001. While used nuclear fuel bundles are contained in the Bruce B wet bay, BPLP 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 BPLP'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, 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 for managing radioactive waste associated with decommissioning of the Bruce nuclear plants.

There is no facility in Canada for the permanent disposal of used nuclear fuel. The *Nuclear Fuel Waste Act*, implementing the federal government's nuclear fuel waste management strategy, came into force in November 2002. As required by this legislation, owners of used nuclear fuel in Canada established the Nuclear Waste Management Organization ("NWMO") with a mandate to manage and co-ordinate the full range of activities relating to the long-term management of used nuclear fuel. In late 2005, after a three year study, the NWMO presented its report and recommendations to the Minister of Natural Resources on the long-term management of used nuclear fuel. The NWMO recommended adaptive phased management with the objective of centralizing all of Canada's used nuclear fuel in one location, and isolating and containing it deep underground in a suitable rock formation. In June 2007, the federal government announced it had accepted the NWMO's report and recommendations. The NWMO is commencing the design of a site-selection process. Throughout this process, the federal government will continue to provide oversight as required by the *Nuclear Fuel Waste Act*. In addition, this legislation that established the NWMO 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 BPLP, is subject to the financial contribution requirements of this legislation.

Federal Regulation

BPLP's operations are heavily regulated. The CNSC, an agency of the federal government, regulates construction, equipment, safety systems and operating limits for the Bruce nuclear generation stations through its powers under the NSCA (see *Government Regulation - Canadian Uranium Industry Regulation* above). Under licences issued by the CNSC, BPLP is required to regularly report on operations to the CNSC, which monitors the safety performance of the Bruce nuclear generating stations. In addition, BPLP is subject to the *Nuclear Liability Act* ("NLA"), as well as other legislation associated with labour and environmental matters.

On May 9, 2001, BPLP received a licence to operate the Bruce B nuclear units and a licence to operate the Bruce A nuclear units, which licences took effect on May 11, 2001.

On March 12, 2004, BPLP received a five-year operating licence to operate the "A" and "B" reactors through March 31, 2009. Financial assurances required by the CNSC in respect of this licence were determined to be \$71 million. Under the 2005 Bruce Power restructuring agreements, Cameco is indemnified by BALP for any calls on the assurances resulting from operation of the Bruce A units.

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 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 may proclaim Part II of the NLA in effect. Under Part II of the NLA, an operator's liability is effectively 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. In October 2007, the federal government introduced legislation in the House of Commons that would significantly amend the NLA, including by requiring the operator to maintain, for each of its nuclear stations, \$650 million of insurance for liability imposed under the NLA. This legislation has not yet received third reading in the House of Commons. If the legislation becomes law, this would result in a significant increase in the insurance coverage that BPLP must obtain as well as the cost of that insurance coverage.

Ontario's Electricity Regulation

Summary of Key Impacts

This section below describes the Ontario regulatory framework that applies to BPLP's marketing of electricity. BPLP sells electricity into the wholesale spot market and contract market. In Ontario, political risk results from uncertainty over the future direction of government energy policies.

The actions of the Ontario government have impacted the wholesale market where BPLP sells most of its production. The Ontario government has taken steps in 2005 and in February 2006 to mitigate the impact of increases in electricity price on the approximately 55,000 large industrial and commercial customers in Ontario who consume more than 250,000 kilowatt hours per year ("large consumers"). These actions (described in greater detail below) involve regulating the price of electricity produced by OPG's base load nuclear and hydro assets and establishing revenue limits on the output of certain of OPG's other assets. Bruce Power expects these actions to depress the wholesale contract market, which remains unregulated.

BPLP engages in risk management activities, including trading of electricity and related contracts to mitigate these risks. BPLP receives a reliable stream of revenue from fixed-price contracts. Approximately 38% of BPLP's output was sold under fixed-price contracts in 2007. BPLP also sells electricity on the open spot market. Prices are determined by bids from suppliers and buyers that reflect changes in supply and demand by the hour. In addition, the 2005 Bruce Power refurbishment implementation agreement provides for a floor price of \$45 per MWh (escalated by inflation) for the electricity generated by the Bruce B reactors sold into the spot market.

There is a risk that the Ontario government could regulate the wholesale market in the future. This would limit the upside potential for BPLP's revenue. Given the shortage of generating capacity in Ontario, the need to attract new investment and recent market structure changes made by the government, Cameco believes the risk of the government regulating the wholesale market is low.

Ontario Electricity Sector Restructuring

The Ontario electricity market opened ("Market Opening") to full competition in May 2002. 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 the Independent Electricity System Operator ("IESO"), an agency established by Ontario government. Both wholesale market participants and retail customers have access to the electricity supplier of their choice. BPLP earns revenue through medium- and long-term contracts and spot market sales. BPLP uses risk management activities, such as hedging, in order to mitigate BPLP's exposure to volatile electricity prices.

In December 2002, the Government of Ontario passed the *Electricity Pricing, Conservation and Supply Act, 2002*, reversing, in part, its decision to establish an open electricity market. That legislation and related regulations among other changes fixed the price of electricity paid by "low volume consumers" and other "designated consumers" at 4.3 cents per kilowatt hour retroactive to Market Opening and capped electricity distribution fees and wholesale market charges.

In March 2003, the Province announced a business protection plan for large electricity consumers in Ontario. Under this plan, except for certain designated customers, all consumers using above 250,000 kWh per year remained in the competitive wholesale and retail markets and received cash rebates.

On November 25, 2003, the newly elected Liberal government of Ontario removed the 4.3 cents per kilowatt hour price freeze effective April 1, 2004 and replaced it with an interim pricing plan which fixed the first 750 kWh (kilowatt hours) of consumption at 4.7 cents per kilowatt hour and monthly consumption above that level at 5.5 cents per kilowatt hour. As of May 1, 2005, the Ontario Energy Board ("OEB") established a regulated price plan for certain consumers.

In December 2004, the Ontario government enacted the *Electricity Restructuring Act, 2004* ("*Electricity Restructuring Act*"), and additional changes to the Ontario electricity sector were adopted including:

- the creation of a new Ontario Power Authority ("OPA"), responsible for ensuring adequate, long-term supply of electricity and integrated system planning;
- regulated prices in parts of the electricity sector to ensure price stability for certain specified consumers;
- a revised role for the IESO;

- creation of a new Conservation Bureau, that will be led by Ontario's Chief Energy Conservation Officer; and
- provisions that will continue to enable the Ministry of Energy to set targets for conservation, renewable energy, and the overall supply mix within Ontario.

In 2005, the Ontario government set an average price of 4.5 cents per kilowatt hour on the output of OPG's base load nuclear and largest hydro-electric facilities (collectively "OPG's regulated assets"). These prices stay in place until the OEB sets new prices for the output of OPG's regulated assets by a date, which will be no earlier than March 31, 2008. These stations represent approximately 60% of OPG's annual output and approximately 40% of the total generation in Ontario. The Ontario government has stated that it believes that regulating the price of OPG's regulated assets will reduce price volatility and have a stabilizing effect on electricity price, which will be of benefit to all consumers.

In February 2005, the Ontario government established a fixed price of 4.7 cents per kilowatt hour on 85% of the output of OPG's coal fired and smaller hydro electric operations, which are not part of OPG's regulated assets ("the unregulated facilities"). This set price was intended to be in effect until April 30, 2006. At that time monies collected above the set price will be refunded to large consumers. In February 2006, the Ontario government announced an additional three year revenue limit on OPG's unregulated facilities. Starting May 1, 2006, the revenue limit on OPG's unregulated facilities dropped to 4.6 cents per kilowatt hour from the limit of 4.7 cents per kilowatt hour set in February 2005. In 2007, the limit on revenues from these facilities increased to 4.7 cents per kilowatt hour and will go up to 4.8 cents per kilowatt hour as of May 1, 2008. Any OPG revenues above these limits will result in a rebate issued quarterly, rather than annually, to large consumers. Bruce Power expects these actions to depress the wholesale contract market, which remains unregulated.

The initiative to decontrol OPG assets, as originally contemplated in 2002, has not progressed. However, the Ontario government has announced that all coal fired electrical generating facilities in Ontario (representing 7,500 MW or approximately 25% of Ontario's electricity generating capacity) would be completely shut down by 2009. In 2006, the Ontario government recognized that it will be unable to completely shut down the coal fired generating facilities by 2009 but reaffirmed its commitment to eliminate the coal fired electrical generating facilities at the earliest possible time without compromising reliability. The government also announced its intention to have OPG commence a study of new nuclear facilities at one or more of its sites. There has been no decision to proceed with a new nuclear build in the province.

Ontario Power Authority

The *Electricity Restructuring Act* created the OPA, which is an independent, self-financed, non-profit corporation, charged with a mandate to ensure long-term supply adequacy in Ontario. Both the Minister of Energy and the OEB oversee the OPA.

The OPA's mandate includes, among other things: (i) assess the adequacy and reliability of electricity resources for the medium and long-term; (ii) forecast electricity demand and the potential for conservation and renewable energy; (iii) prepare an integrated system plan for generation, transmission and conservation; (iv) procure new supply, transmission, demand management and conservation either by competition or by contract when necessary; (v) promote the diversification of electricity sources through cleaner energy sources and technology and alternative and renewable energy sources; and (vi) stabilize rates for certain consumers.

The OPA is empowered to enter into generation and transmission and procurement contracts where necessary. The OPA has a statutory ability to recover its costs and payments associated with procurement contracts. The integrated system plan created by the OPA is subject to review by the Minister and by the OEB.

In late 2005, the OPA published its Supply Mix Advice report that set out the recommendations to the Minister of Energy for the future development of Ontario's electricity system. The report recommended that the share of renewable resources in Ontario's supply mix be increased, nuclear generation maintain its current 50% contribution of electrical energy, and the replacement of coal by increasing the share of gas fired generation and renewable resources.

In 2006, the OPA commenced its development of an Integrated Power System Plan ("IPSP"). The IPSP is a comprehensive plan which identifies conservation, generation and transmission investments needed in Ontario in the next three to five years while looking ahead on a twenty year horizon. The Minister of Energy in directing the preparation of the IPSP noted that one of the IPSP goals was to plan for nuclear capacity to meet base-load electricity requirements but limit the installed in-service capacity over the life of the plan to 14,000 MW. The OPA filed its 20 year IPSP with OEB in August 2007, which included a continuing reliance on nuclear for baseload electricity. The targeted generation of 14,000 MW assumes the refurbishment of all existing CANDU reactors and allows for a further 1,000 MW of new build.

Electricity Price Adjustments

Regulations under the *Electricity Restructuring Act* will require the IESO, electricity distributors and retailers to make adjustments to their billing systems so that payments made by consumers (large loads and anyone not prescribed by regulation) are equal to the payments made to the generators, the OPA and Ontario Electricity Financial Corporation. The *Electricity Restructuring Act* introduces a blended electricity price from various generation sources. Specified consumers, on the other hand, may pay a price established under a regulated price plan under the jurisdiction of the OEB but have the option of purchasing their electricity from energy retailers.

The IESO

The IESO functions both as independent system operator, ensuring overall system reliability and stability through control of physical dispatch, and as the clearing house for the settlement of spot transactions by suppliers and purchasers of electricity participating in the IESO wholesale market. The *Electricity Restructuring Act* authorizes the IESO, through its billing and settlement systems, to ensure that market participants will, over time, pay the true cost of electricity, taking into consideration the mix of regulated and market prices payable to generators and OPG.

The IESO-administered wholesale market for energy services consists of: (i) physical markets, relating to the dispatch and pricing of electricity; and (ii) financial markets, which are focused on financial risk management associated with the exposure to spot market energy prices and to transmission constraints.

The IESO-administered physical electricity markets consist of both real-time and procurement markets: real-time markets for energy and operating reserve, and, if implemented, a capacity reserve market; and procurement markets for additional generation-related services to maintain reliability of the transmission grid.

Spot market prices in the IESO-administered real-time market fluctuate significantly as a result of a number of influences, including domestic market demand, operating reserve requirements, generation availability and the volume of imports from and exports to interconnected markets. The operating reserve markets establish market clearing prices that are paid to parties whose offers to provide operating reserve are accepted by the IESO.

The IESO maintains the reliability of the transmission grid through ancillary services (operating reserve, reactive support/voltage control service, black start capability and automatic generation control) and must-run contracts for local reliability.

The IESO also collects the transmission service charges designed to recover the transmission owners' OEB-approved revenue requirements and disburses these revenues to the transmission owners. Consumers of significant amounts of electricity can, individually or as a group, build their own generation facilities and thereby avoid paying certain transmission charges. In many circumstances, consumer-owned generation will also allow those consumers to avoid IESO uplift charges. This can give rise to the construction of new generation capacity that would not be economic if it were not for this avoidance of transmission charges and IESO uplift charges.

OEB's Licensing Process and Industry Codes

The OEB has developed licences for electricity generation, transmission, distribution, wholesale and retail. It has also developed several associated codes for retailing, transmission and distribution. On February 28, 2001, the OEB issued a

generation licence for Bruce Power Units 1 to 8 that will remain in force until February 27, 2019. The licence includes authorization to act as a wholesaler of electric power.

CENTERRA GOLD INC.

Centerra

Cameco indirectly owns 52.7% of Centerra, a company listed and publicly traded on the TSX. After closing of the Agreement on New Terms with government of the Kyrgyz Republic and Centerra, Cameco's interest in Centerra would fall to about 41%. (See Kumtor Mine – *Agreement on New Terms* below.) Centerra is focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets. Centerra is the largest western-based gold producer in Central Asia and the former Soviet Union. Centerra subsidiaries have a 100% interest in and operate two producing mines: the Kumtor mine in the Kyrgyz Republic and the Boroo mine in Mongolia. Centerra subsidiaries also have a 100% interest in the Gatsuurt development property in Mongolia, located 35 kilometres from the Boroo mine, and a 63% interest in the REN exploration property in Nevada. In 2007, the Kumtor mine produced approximately 301,000 ounces of gold and the Boroo mine produced about 255,000 ounces of gold.

In February 2008, Centerra updated its mineral reserve and resource estimates. At Kumtor, reserves of 578,000 ounces of gold have been added before accounting for mining of 421,000 ounces of contained gold in 2007. The reserve grade has decreased from 4.7 to 4.0 grams of gold per tonne due to the lowering of the cut-off grade from 1.3 to 1.0 grams per tonne. At Boroo, reserves of 111,000 ounces of contained gold have been added before accounting for mining of 297,000 ounces of contained gold in 2007. The 2007 year-end reserves were estimated using a gold price of \$550 (US) per ounce. The 2006 year-end reserve estimates used a gold price of \$475 (US) per ounce. The increase in 2007 reserves is a result of lowering the cut off grade and changes in pit design at Kumtor and a slight increase in the size of the pit at Boroo.

Based upon current mine plans and mineral reserve estimates, Centerra forecasts the Kumtor and Boroo mines will be depleted by 2014 and 2010 respectively.

As at December 31, 2007, Cameco's interest:

- in the reserves at Kumtor, Boroo and Gatsuurt, amounted to total proven and probable reserves of 3.7 million ounces of gold; and
- in the resources at Kumtor and Boroo mines and Gatsuurt and REN exploration properties, amounted to 2.8 million ounces of gold in measured and indicated resources and 1.4 million ounces of gold in inferred resources.

Detailed estimates of gold reserves and resources are reported at *Centerra Gold Inc. - Reserves and Resources* below.

Centerra's gold production is completely unhedged.

For 2008, Centerra has budgeted \$65 million (US) of capital expenditures and \$25 million (US) on exploration.

Centerra's subsidiaries face varying exposures to cash corporate income taxes. The corporate income tax rate for Kumtor is 10% for 2007, however, pursuant to the Agreement on New Terms, subject to completion of definitive agreements and satisfaction of certain other conditions, effective 2008 taxes for Kumtor will be computed by reference to proceeds from products sold, at the rate of 11% of revenues in 2008, 12% in 2009 and 13% thereafter. The corporate income tax rate for Boroo is 25% for 2007 and subsequent years, pursuant an amended Stability Agreement entered into on August 3, 2007. Boroo's 100% corporate income tax exemption ended December 31, 2006.

Despite Kumtor being owned and operated by Centerra through its wholly owned subsidiaries, under Canadian securities law, it is considered a material gold mining property for Cameco. Cameco has no other material gold mining properties.

2004 Kumtor Restructuring

On June 22, 2004, Cameco completed the Kumtor restructuring. Prior to the Kumtor restructuring, Cameco held a one-third interest in the Kumtor mine, located in the Kyrgyz Republic. Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a Kyrgyz joint stock company whose shares are 100% owned by the government of the Kyrgyz Republic, held the remaining two-thirds interest. As part of the Kumtor restructuring, Cameco transferred its one-third ownership interest in the Kumtor mine and substantially all of Cameco's other gold assets to Centerra, including its 53% interest in the Boroo mine in Mongolia held through its 56% ownership interest in AGR Limited ("AGR"), in exchange for common shares of Centerra and assumption of certain liabilities by Centerra. In addition, Kyrgyzaltyn transferred its two-thirds interest in Kumtor to Centerra in exchange for common shares of Centerra, cash and certain outstanding debt.

On June 30, 2004, Centerra completed an initial public and secondary offering of its common shares and began trading on the TSX. At that time, Centerra also acquired over 99% of the shares held by the minority shareholders of AGR in exchange for common shares of Centerra. Under the corporate law that applies to AGR, AGR subsequently redeemed all of its outstanding shares, other than the shares held by Centerra, bringing Centerra's interest in AGR to 100%. Following these transactions, Centerra had a 100% interest in the Kumtor mine and a 95% interest in the Boroo mine.

The Kumtor restructuring in 2004 was approved by government decrees and was supported by legal opinions from the Kyrgyz Ministry of Justice. In addition, the Kyrgyz government was represented by independent legal counsel and financial advisors for the Kumtor restructuring. The International Finance Corporation and the European Bank for Reconstruction and Development also participated in the restructuring transactions.

Kumtor Mine

The Kumtor mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a western-based producer. The Kumtor gold mine, which commenced operation in 1997, has produced 6.15 million ounces of gold.

The disclosure in this Annual Information Form of a scientific or technical nature for Kumtor is based on a technical report on the Kumtor mine (the "Kumtor Technical Report") prepared in accordance with National Instrument 43-101 — *Standards of Disclosure for Mineral Projects* ("NI 43-101") of the Canadian Securities Administrators. The Kumtor Technical Report was prepared under the supervision of Strathcona Mineral Services Limited ("Strathcona") as of March 28, 2008, and was written by Henrik Thalenhorst, P. Geo. of Strathcona and Iain Bruce, P. Eng. of BGC Engineering Inc., each of whom is independent of Cameco and a "qualified person" for purposes of NI 43-101, and Dan Redmond, P. Geo., a qualified person and an employee of Centerra. The reserve and resource estimates for the Kumtor mineral property were prepared under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President of Exploration, who is a qualified person. A copy of the Kumtor Technical Report can be obtained from SEDAR at www.sedar.com.

Kyrgyz Republic - Overview

The Kyrgyz Republic is a landlocked and mountainous country located in the middle of the Asian continent. It is bordered by Kazakhstan in the north, the People's Republic of China in the east, Tajikistan in the south and Uzbekistan in the west. It is the smallest of the Central Asian nations and has a population of approximately five million people. The Kyrgyz economy is predominantly agricultural, with two-thirds of the country's population living in rural areas. The country contains deposits of gold and rare earth metals.

Government and Political Factors

The Kyrgyz Republic was once a constituent republic of the Soviet Union. In 1991, the country declared its independence and became a member of the Commonwealth of Independent States (the "CIS"). Since independence, the nation has undertaken substantial economic and political reforms, such as the introduction of an improved regulatory system and land reforms, and has undergone a transition to a market-oriented economy. The government and international financial institutions have also engaged in a comprehensive medium-term poverty reduction and economic growth strategy. The national currency of the Kyrgyz Republic, the som, is freely convertible into United States dollars

within the Kyrgyz Republic at a floating exchange rate and has remained relatively stable over the last four years. The Kumtor mine is the largest private sector employer of Kyrgyz citizens and is the largest foreign investment in the country.

The country's legal system, both legislative and judicial, has been substantially reformed since 1991. However, the legal system has not matured to the level of those of developed economies. These factors make it prudent for foreign investors to seek additional protection through contractual agreements with the government in order to stabilize the investment environment and provide for an independent forum for conflict resolution.

On February 28, 2005, the Kyrgyz Republic's 105-member bicameral parliament ceased to exist and was replaced by a unicameral parliament with 75 seats. The new unicameral parliament had broader constitutional powers, with certain powers being relinquished to it by the President. These changes were made pursuant to constitutional referendums conducted in 2003.

There was political unrest in the lead-up to the new parliamentary elections, which were held on February 27, 2005. As a result, from February 22 to 26, 2005, the Kumtor mine was unable to move employees and supplies to and from the mine site due to roadblocks on public highways. The roadblocks ended on February 27, 2005 and normal operations resumed on March 2, 2005 with production unaffected.

The parliamentary elections precipitated additional unrest, and on March 24, 2005, President Askar Akaev, who had first been elected to that position in 1991, resigned under allegations of election fraud. The newly elected parliament designated Mr. Kurmanbek Bakiyev as the acting President. Subsequently, on July 10, 2005, Mr. Bakiyev won a presidential election and was inaugurated as the President of the Kyrgyz Republic for a five-year term. Mr. Felix Kulov was appointed the Prime Minister.

Following the resignation of President Akaev, the new government began various investigations into the activities of the prior government and former President Akaev's assets. Centerra's wholly-owned Kyrgyz subsidiary, Kumtor Gold Company ("KGC"), was included in the list of assets subject to inquiry by a special commission formed for this purpose on April 18, 2005. The commission published a report in June 2005 on its findings that did not contain any allegations against Centerra or its subsidiaries.

The State Audit Chamber of the Kyrgyz Republic was asked by the previous parliament to provide clarification to it with respect to the Kumtor restructuring in 2004. In April 2005, KGC was requested to provide information with respect to the restructuring. KGC agreed to assist the Chamber in its review. Subsequently, in June 2005, the Prosecutor General's office requested documents from Kumtor Operating Company ("KOC") and Centerra as part of a criminal investigation into alleged abuses of power or authority by officers of the Kyrgyz government, Kyrgyzaltyn, KGC and KOC. The investigation was based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra responded cooperatively to these requests. Centerra stated publicly that it was not aware of any basis for allegations of criminal conduct, and noted that the Kumtor restructuring had been approved by government decree and was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring.

These inquiries and investigations have not had any material negative effect on Kumtor, and to Centerra's knowledge, they are inactive or are currently not being pursued by the Kyrgyz authorities. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of significant political debate.

On April 29, 2006, opposition parties held peaceful demonstrations in Bishkek to demand constitutional reform and government administration changes. After months of political crisis and several rounds of failed negotiations over constitutional reform, further demonstrations took place in November 2006 that ultimately resulted in President Bakiyev signing a new constitution into law on November 9, 2006. The new constitution, which sought to limit presidential powers, continued to be under scrutiny for the following months.

On December 19, 2006, the entire cabinet resigned, including Prime Minister Kulov, who had served from September, 2005 to December 19, 2006. Just days later, Parliament introduced new constitutional reforms restoring some of the presidential powers.

On January 15, 2007, President Bakiyev signed into law yet another constitution. That same month, Azim Isabekov was appointed Prime Minister. Isabekov resigned in March and Bakiyev named prominent opposition leader, Almazbek Atambayev, to the post.

On September 14, 2007, the Constitutional Court of the Kyrgyz Republic ruled that the two sets of recent constitutional amendments were illegal and brought back the 2003 constitution into effect. President Bakiyev called for a referendum in order to restore some of the articles ruled as invalid by the Constitutional Court. The referendum also included a proposal to change the country's electoral system by implementing a proportional representation model.

On October 21, 2007, the citizens of the Kyrgyz Republic voted in a referendum on drafts of a new constitution and new electoral law proposed by the President Bakiyev. On October 22, 2007, the President dismissed Parliament effective that day. The President signed the new constitution and electoral law into law on October 23, 2007. Parliamentary elections were held on December 16, 2007. The political party "Ak-Jol" received the majority of the seats (71 of the 90) and under the terms of the new constitution formed the new government.

On February 5, 2008, Centerra issued a press release responding to media reports of a criminal tax evasion investigation by Kyrgyz authorities against it and KGC. KGC is cooperating with the Kyrgyz financial police with respect to their investigation. The Kyrgyz Republic financial police have requested information and documents with respect to the Kumtor project and have interviewed Kumtor personnel. The Kyrgyz Republic State Tax Inspectorate recently completed audits on KGC for 2003 and 2004 and no material disagreement regarding payable taxes by KGC were identified. KGC continues to pay all taxes in accordance with local laws and its investment agreement and believes there is no basis for the investigation.

In February 2008, Kubanychbek Isabekov, a member and vice-speaker of the Kyrgyz Parliament, commenced an action in the Inter-District Court of Bishkek against the Kyrgyz government, seeking cancellation of the government's December 31, 2003 decree approving the 2004 Kumtor restructuring and seeking to invalidate the Investment Agreement and Concession Agreement entered into between the government, KGC and Centerra at the time of the restructuring. Centerra is not a party to the action. The court proceeding was postponed indefinitely on March 26, 2008. The restructuring was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring, including entering into the Investment Agreement and Concession Agreement. Disputes with respect to these agreements and the Kumtor project are subject to international arbitration and therefore Centerra does not believe that the courts of the Kyrgyz Republic have jurisdiction with respect to such matters.

The political situation continues to evolve and there remains the risk of further political instability.

Relevant Kyrgyz Law and the Investment Agreement with the Government of the Kyrgyz Republic

Prior to the Kumtor restructuring, the operations of the Kumtor mine and its property holdings were governed by a Master Agreement entered into in 1992 between Cameco, the government of the Kyrgyz Republic and Kyrgyzaltyn (the "Master Agreement") and related agreements. These agreements established the applicable rules and regulations with respect to the exploitation of the Kumtor property, including the tenure of mineral and surface rights, operating obligations, applicable taxes, employment of Kyrgyz citizens and the import and export of funds, materials and gold produced from the Kumtor mine. Other laws and regulations of general application in the Kyrgyz Republic also applied to the operation of the Kumtor mine, except to the extent they conflicted with these agreements.

As part of the Kumtor restructuring, Centerra, Cameco, Kyrgyzaltyn and the government of the Kyrgyz Republic entered into an agreement pursuant to which, effective simultaneously with the completion of the Kumtor restructuring, the Master Agreement was replaced by an Investment Agreement (the "Investment Agreement") between Centerra, KGC and the government of the Kyrgyz Republic. This new Investment Agreement and related agreements set out the terms and conditions applicable to Centerra's ongoing operation and development of the Kumtor mine and have continued the

regime established by the Master Agreement. The Investment Agreement has a term lasting until the earlier of 2043 or when the Kumtor deposits are exhausted and mining is completed. The Agreement on New Terms, as defined below, contemplates that the Investment Agreement will be amended to give definitive effect to certain provisions of the Agreement on New Terms.

The Investment Agreement also specifies that Centerra will be subject to only those Kyrgyz tax laws and regulations that existed as of December 31, 2003. This includes a profit tax of 10%, a withholding tax on dividends and interest of 10% and an emergency fund tax of 1.5% of the value of products sold. As discussed below, the Agreement on New Terms provides for establishment of a revised tax regime which would replace such taxes.

Pursuant to the Investment Agreement, Centerra has the right to elect whether to be subject to any change in tax laws or regulations that modifies the amount or timing of tax or the manner in which tax liability is determined or calculated (whether or not the tax change increases or decreases Centerra's liability) or instead remain subject to the tax in effect prior to the change for a term of ten years from the date of the change. However, if a change in tax laws eliminates any specified tax in its entirety (as opposed to merely reducing a specified tax), Centerra will remain subject to that tax as it existed prior to its elimination.

The Investment Agreement provides Centerra with guarantees against expropriation and rights to non-discrimination. It also stipulates that Centerra is entitled to all necessary permits and approvals relating to the Kumtor mine, including with respect to environmental matters and hiring of foreign nationals.

Centerra has the right to import any capital equipment and operating supplies, subject to import duties and administrative charges, but free of other charges and without unreasonable formalities that might hinder or delay such imports. Centerra also has the right to export any of its products, including processed or unprocessed minerals of any type, free of export duty and other charges and without unreasonable formalities that delay or hinder such exports.

The agreements Centerra has entered into in connection with the Kumtor restructuring were also designed to preserve and extend the benefits that the Kumtor mine has brought to the Kyrgyz Republic. Under the Investment Agreement, Centerra has committed to continue to conduct its operations in accordance with good international mining practices, in material compliance with the standards applicable under the Environmental Management Action Plan ("EMAP") for the Kumtor mine, which include operation in material compliance with federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines in effect as of June 15, 1995 and all laws currently applicable to the Kumtor mine, including the laws of the Kyrgyz Republic.

Agreement on New Terms

In February 2007, based on the long-term relationship between the government of the Kyrgyz Republic and Cameco as the founders of Centerra, Prime Minister Isabekov invited Cameco to discuss a number of issues concerning Kumtor. Based upon this invitation, Cameco and Centerra entered into negotiations with the new government to address the government's concerns about the agreements entered into in connection with the Kumtor restructuring, as well as to stabilize further the operational environment for the Kumtor project.

On March 26, 2007, Parliament voted to accept a draft bill for further deliberation with respect to Kumtor and other mineral deposits. The draft bill challenged the legal validity of the Kumtor agreements, proposed recovery of additional taxes on amounts relating to past activities, as well as provided for the transfer of all gold deposits, including Kumtor, to a state-owned entity. If this draft legislation were enacted, there would be a substantial risk of harm to the value of Cameco's investment in Centerra.

In August 2007, Cameco and Centerra signed binding agreements with the government of the Kyrgyz Republic (the "Agreement on New Terms") that provide for the government's full commitment to and support for Centerra's continuing long-term development of the Kumtor project. The Agreement on New Terms also enlarges Centerra's existing concession area by over 25,000 hectares to include all territory covered by the current exploration license and establish a simplified, stable and predictable tax regime for the Kumtor operations. Centerra and the Kyrgyz government have also agreed to replace Kumtor's current tax regime with a simplified new tax rate for the Kumtor project applied to

proceeds from products sold at the rate of 11% in 2008, 12% in 2009 and 13% thereafter. The revised tax regime will require Parliamentary approval as it modifies the existing generally applicable tax regime.

In addition, under the Agreement on New Terms, the Kyrgyz government and Kyrgyzaltyn agree to support Centerra's continuing long-term development of the Kumtor project and agree to facilitate eventual divestiture of Cameco's interest in Centerra. In return, the Kyrgyz government will receive 32.3 million shares (22.3 million net from Cameco and 10 million treasury shares from Centerra) upon closing of the definitive legal agreements. Of these, 15 million shares will be received immediately and 17.3 million shares will be held in escrow until the earliest of:

- Cameco's holdings of Centerra's issued and outstanding shares falling below 17.3 million shares,
- the volume-weighted average closing price of Centerra's shares on the TSX being no less than \$13.30 for at least seven business days; or
- the fourth anniversary of the closing.

Cameco will be entitled to exercise voting rights in respect of the 17.3 million shares placed into escrow until such shares are released from escrow. After the government receives voting rights for these 17.3 million shares, a second Kyrgyz government representative is to be appointed to the board of directors of Centerra.

In connection with the Agreement on New Terms, Centerra also entered into an agency agreement with Cameco on August 30, 2007 (the "Agency Agreement") which provides for the issuance of 10 million treasury shares of Centerra (the "Treasury Shares") to Cameco. The issuance of the Treasury Shares is subject to completion of the transactions and agreements contemplated by the Agreement on New Terms.

After the transfer of all the shares is completed, Cameco will own approximately 41% of Centerra, the Kyrgyz Republic will own approximately 29% and the public shareholders will own the remaining 30%. When Cameco's ownership interest falls below 50%, Cameco will no longer consolidate Centerra's financial results and will instead account for Centerra using the equity method.

The Agreement on New Terms and the Agency Agreement are subject to a number of conditions, including approval by the Parliament of the Kyrgyz Republic. The Kyrgyz Government submitted the agreements for parliamentary approval in early September, 2007. The Parliament began to deliberate the issue during the first half of October. On October 8, 2007, the Parliament asked the parliamentary committee on industry and trade to review the agreements and give its conclusion. On October 10, 2007, the chair of the committee requested additional time for consideration, and the Parliament scheduled its final voting on the issue for October 22, 2007, but Parliament was dismissed prior to voting. Since the Parliament was dissolved before deliberations on the agreements could be completed, the parties agreed to extend the deadline for closing the Agreement on New Terms from October 31, 2007 to February 15, 2008. Subsequently, the parties agreed to extend the deadline for closing the Agreement on New Terms to April 30, 2008.

If the issues between Cameco and the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Cameco's investment in Centerra may increase significantly. Cameco is uncertain whether an agreement can be reached to resolve the issues with the government of the Kyrgyz Republic.

In December 2006, at the direct request of the government, KGC paid certain disputed amounts, totalling about \$7 million (US) for 2006, relating to land tax and high altitude premium payable to its Kumtor mine employees. Centerra has begun international arbitration to recover the disputed amounts. Centerra and the government of the Kyrgyz Republic have agreed to postpone the first procedural hearings in these arbitrations pending completion of the transactions described in the Agreement on New Terms.

Property Description and Environment

The Kumtor mine is located in the Tien Shan Mountains, some 350 kilometres to the southeast of the national capital Bishkek and about 60 kilometres to the north of the international boundary with the People's Republic of China. The

mill site is situated in alpine territory above 4,000 metres, with the wall of the Central pit extending above 4,400 metres. The climate is dry and continental with a mean annual temperature of minus 8 degrees Celsius. The local valleys are filled with active glaciers and the mine area is in permafrost that extends down to elevation 3900 metres.

Pursuant to an Amended and Restated Concession Agreement (the "Concession Agreement") between KGC (which as part of the Kumtor restructuring became a wholly-owned subsidiary of Centerra) and the government of the Kyrgyz Republic that became effective on the closing of the Kumtor restructuring, Centerra has the exclusive rights to all minerals within an area of approximately 750 hectares of land centred on the Kumtor gold deposits (the "Concession Area"). Its mineral and surface rights for the Kumtor deposit extend until May 10, 2043.

KGC has applied for an expanded mining concession covering the original Concession Area, the Northeast target, the Southwest deposit, the Sarytor deposit, and adjacent areas to the southwest. The Investment Agreement provides that the government of the Kyrgyz Republic shall grant any necessary additional mining concessions within the Exploration License (defined below) on substantially the same terms and conditions as those specified for the Concession Area. Pending the grant of the expanded concession, on January 30, 2006, KGC was granted a mining license comprising about 56 hectares and covering the Southwest deposit, which license expires on December 31, 2008. On November 30, 2007, Centerra received a mining license for the Sarytor deposit, expiring December 31, 2013 and covering 97 hectares. The Agreement on New Terms provides that the Concession Agreement shall be further amended to extend the Concession Area to include the area of the Exploration License.

The Concession Agreement confirms Centerra's right to use sufficient additional surface lands for the purposes of the construction and occupation of all mining and milling superstructure and facilities, work camp and other infrastructure facilities necessary to carry out work at the Kumtor mine.

KGC must make a concession payment of \$4 (US) for each ounce of gold sold from the Kumtor deposit, with such payments to be made quarterly within 90 days of the end of each calendar quarter based on that quarter's gold sales by KGC. In addition, KGC must pay 2% of its net profits into a social development fund until its subordinated and shareholder loans outstanding as of December 31, 2003 are repaid and thereafter 4% of its net profits until the end of the Kumtor operations.

KGC has also been granted the exclusive right to develop any mineral resources within a 7.5 kilometre radius from the perimeter of the original Concession Area, an area covering approximately 26,300 hectares, which includes the Concession Area, the Northeast target, the Southwest deposit, the Sarytor deposit, and adjacent areas to the southwest, as well as the surface rights area (the "Exploration License"). This right is continued by the Investment Agreement. The expiry date of the license is December 18, 2009. The license cannot be renewed again, but a new license can be applied for. Upon request, KGC is entitled to receive one or more mining concessions with respect to mineral resources covered by the Exploration License on substantially the same terms and conditions as those specified for the Concession Area.

The Kumtor site includes an open pit mine situated at approximately 4,050 metres above sea level. The mine includes waste and ore stockpile areas as well as an area to dispose of the ice removed during operations. Ore is processed at a crusher and mill with a nominal capacity of approximately 5.6 million tonnes per year or 15,500 tonnes per day. Other major facilities include a fresh water system, a camp/residence for the employees on-site, a warehouse, workshops, offices, a batch plant, two standby diesel generators and a tailings management facility. In February 2006, Centerra also commenced open pit mining at a satellite gold deposit located at the Southwest deposit. Mining of the Southwest deposit is expected to be completed by the end of March 2008.

The tailings management facility is located in the Kumtor River valley and consists of twin tailings lines, a tailings dam, an effluent treatment plant and two diversion ditches around the area to prevent runoff and natural watercourses from entering the tailings basin. These facilities received approval from the government of the Kyrgyz Republic during 1999. Each tailings pipeline is approximately six kilometres in length. The tailings dam was designed and constructed to address the permafrost conditions at the mine site. The dam wall is approximately 2.7 kilometres in length and the tailings dam consists of compacted fill. The dam crest is ten metres wide and the side slopes are approximately 3 horizontal to 1 vertical. The dam is currently 28 metres high at its central part. The dam fill consists of alluvial sands

and gravels. A geomembrane liner has been placed on the upstream face and extends one hundred metres upstream of the dam toe on natural ground into the impoundment.

The dam crest is presently at elevation 3,658 metres and has capacity to store tailings until the end of 2008. The tailings facility at the end of 2007 contained 41 million cubic metres. Permits have been received to raise the tailings dam by three metres, which will allow continuation of the use of the facility to the end of 2010. Another three metres of additional dam height would extend the life of the facility to last to the end of the current mineral reserves. The ultimate dam and the stabilizing toe berm have been designed to store up to 101 million tonnes (87 million cubic metres) of tailings. Raising of the tailings dam to its final elevation is estimated to require an investment of \$27.6 million (US) from 2008 to 2013.

Centerra identified an ice-rich silt layer beneath the tailings dam that has been the cause of some minor horizontal movement of the tailings dam. In 2003, in order to proactively deal with the issue, a shear key and toe berm were built to reduce the rate of movement. However, the tailings dam movement continued at the earlier rate, and additional engineering assessment was undertaken by a consultant in 2005. The additional work suggested the initial key did not penetrate the ice rich soils sufficiently deep to completely inhibit the movement. KOC commissioned an additional design for a shear key, and additional construction work completed in 2006 and 2007 has deepened and expanded the initial shear key. The new shear key has been excavated to depths of ten to twelve metres, and ice rich silt and clay has been removed to expose the underlying dense granular moraine foundation fill with little to no ice. Test pits one to two metres deep were excavated to confirm that sound foundations had been reached.

The levels of movement encountered in the Kumtor dam foundation to date are not excessive and fall well within the range of movements experienced by other such dams around the world. The Kumtor dam material is strain tolerant and shows little effect of the minor horizontal movement. The tailings dam movement data has also been reviewed and interpreted independently by the Kyrgyz Republic Institute of Rock Mechanics. A report issued in September 2007 by the Institute of Rock Mechanics of the Kyrgyz National Academy of Sciences concluded that deformations are decreasing and that the remedial works undertaken to date are effective.

All material permits and licences required for the current mining operations at Kumtor are in good standing.

Site Accessibility, Infrastructure and Physiography

Access to the Kumtor mine site is by a main road that runs between Bishkek and Balykchy, on the western shore of Lake Issyk-Kul. After traveling along this road for a distance of 178 kilometres, and then along a secondary road running along the south shore of the lake to the town of Barskaun for another 150 kilometres, a final 100 kilometres must be traversed on a narrow, winding road leading into the Tien Shan Mountains that climbs to an elevation of 3,700 metres through 32 switch backs to reach the deposit. Centerra has done considerable work to maintain this access road and despite occasional avalanches and movements of gravel and till down steep slopes during heavy rains, there has not been any extended period during which the road has been out of service.

The Kumtor mill is situated in alpine terrain at an elevation of approximately 4,016 metres, while the highest mining excavations exceed an elevation of 4,400 metres. The main camp, administration and maintenance facilities are at about 3,600 metres. Local valleys are occupied by active glaciers that extend down to elevations of 3,800 to 3,900 metres and permafrost in the area can reach a depth of 250 metres. The area is seismically active, as a result of the continuing convergence of India and Eurasia, but the Kumtor area has a relatively sparse distribution of historical seismicity. All facilities at Kumtor, including the process plant and tailings storage dam, have been designed in accordance with recommended seismic standards for the area.

The climate is continental with a mean annual temperature of minus eight degrees Celsius. Extreme recorded temperatures vary from plus 23 to minus 49 degrees Celsius, with short summers that last from June to September. Precipitation is low at 300 millimetres per annum, with the majority falling in the summer months, and annual snow accumulation of 600 millimetres. Kumtor operates 365 days per year. Reflecting the harsh climate and high elevation, sparse, low vegetation is restricted to the valley floors and lower mountain slopes, with a total absence of trees or shrubs.

The mine site is connected to the Kyrgyz national power grid with a 110 kilovolt overhead power line running parallel to the access road. Fresh water is taken from Petrov Lake, situated five kilometres northeast of the mill site. The minimum water inflow into the lake is estimated to be in excess of 1,000 cubic metres per hour or approximately twice the average project demand. The present Kumtor Central pit, waste dumps and the mill are located within the Concession Area.

History and Financing

The Kumtor area has a history of intermittent exploration dating to the late 1920s. Debris from the Sarytor deposit was discovered in 1978 by a geophysical expedition of the state Kyrgyz Geology department sampling float from the frontal moraine of the Sarytor Glacier. The sole outcrop of what is now called the Central deposit was found during follow-up prospecting. From 1979 to 1989, a systematic evaluation of the Central deposit, and to a lesser extent of the Southwest deposit, was carried out consisting of several phases of surface trenching and geological mapping, diamond drilling and underground development on three levels culminating in a detailed sampling program of the central upper part of the Central deposit. An initial reserve statement was issued by the USSR State Committee on Reserves in March 1990.

Cameco was presented the opportunity to become involved with the Kumtor project in 1992 while pursuing uranium prospects in the Kyrgyz Republic. An initial agreement with the government of the Kyrgyz Republic was signed in December 1992 giving Cameco the exclusive right to evaluate and develop the Kumtor project. A feasibility study was completed in December 1993 by Kilborn Western Inc. ("Kilborn") and was amended in 1994 and 1995 ("Kilborn Feasibility Study"). A project development agreement was finalized with the government of the Kyrgyz Republic in May 1994. Pursuant to this agreement, a Cameco subsidiary held an indirect one-third interest in KGC, a Kyrgyz joint stock company that owns the concession giving it exclusive rights to develop the Kumtor mine. Kyrgyzaltyn, a Kyrgyz joint stock company wholly-owned by the government of the Kyrgyz Republic, held the remaining two-thirds interest. Another Cameco subsidiary, KOC, acted as operator of the joint venture for which it received a management fee.

Project construction began in late 1994 and was financed by Cameco and an international group of banks and lending agencies at a cost of \$452 million (US), which amount has been repaid.

Commercial production at Kumtor commenced in the second quarter of 1997 and more than 502,000 ounces of gold were produced that year. The Kumtor mine produced approximately 6.15 million ounces of gold during the 11-year period from 1997 to 2007.

On June 22, 2004, Cameco completed the Kumtor restructuring. For more information, see "2004 Kumtor Restructuring" above.

Geology and Mineralization

The Kumtor gold deposit occurs in the southern Tien Shan metallogenic belt, a Hercynian fault and thrust belt that traverses Central Asia from Uzbekistan in the west through Tajikistan and the Kyrgyz Republic into north-western China, a distance of more than 1,500 kilometres.

There are four major thrust slices comprising the mine geology, with an inverted age relationship. Each thrust sheet contains older rocks than the sheet it structurally overlies. The slice hosting the Kumtor gold mineralization is composed of Vendian (youngest Proterozoic or oldest Paleozoic) metasediments, grey carbonaceous quartz-sericite-chlorite schists or phyllites that are strongly folded and schistose. The fault forming the footwall contact of this structural segment is the Kumtor Fault Zone, a dark-grey to black, graphitic gouge zone. The fault zone strikes northeasterly, dips to the southeast at moderate angles and has a width of up to 30 metres. The adjacent rocks in its hanging wall are strongly affected by shearing and faulting for a distance of up to several hundred metres. The rocks in the structural footwall of the fault zone are Cambro-Ordovician limestone and phyllite, thrust over Tertiary sediments of possible continental derivation that in turn rest, with apparent profound unconformity, on Carboniferous clastic sediments.

The Kumtor gold deposit is structurally controlled on a major fault of regional importance and is a member of the class of structurally controlled mesothermal gold replacement deposits. The Kumtor gold deposit occurs where the Vendian sediments have been hydro thermally altered and mineralized based on structural controls. Gold mineralization has been

observed over a distance of more than 12 kilometres, with the Kumtor deposit itself located in what is called the Center Block, with a length of 1,900 metres, a vertical range of 1,000 metres and a width of up to 300 metres. A buried intrusive body is inferred by geophysical methods to occur some five kilometres to the northwest of the deposit and may be the source of the mineralization process at Kumtor.

Within the Kumtor deposit, four zones of gold mineralization have been delineated:

- Two parallel zones of alteration and gold mineralization strike northeasterly and dip to the southeast at 45° to 60°, separated by 30 to 50 metres of barren or poorly mineralized rock. The South Zone, with a length of 700 to 1,000 metres and a horizontal width of 40 to 80 metres, is reasonably well mineralized throughout its entire length, with an average gold grade of 3 to 4 grams of gold per tonne. The North Zone, somewhat more extensive along strike but with a similar width, has lesser gold grade continuity and splits into a number of individual lenses that have average gold grades in the range of 2 to 3.5 grams of gold per tonne;
- At their north-eastern end, the North and South Zones coalesce into the Stockwork Zone, which has higher gold grades and good grade continuity. Its dimensions in plan are 400 to 500 metres long by 50 to 200 metres wide, with an average gold grade of 5 to 6 grams of gold per tonne, depending on the cut-off grade. The Stockwork Zone plunges northeasterly at 40° to 50°, and diminishes in size below elevation 3,900. Its down-plunge continuation below elevation 3,900 metres is known as the NB Zone. Geographically, the Stockwork Zone is located closest to the pit highwall and thus has a larger effect on the overall strip ratio of the pit; and
- In the south-western part of the deposit, the SB Zone (structurally a part of the South Zone) tops out at an elevation of 3,900 metres. Drilling to date has defined the SB Zone along strike for 700 metres, for a vertical extent of 650 metres, and a width that ranges from 6 to 75 metres, overall somewhat smaller than the Stockwork Zone, but of excellent grade, in the range of 5 grams gold per tonne. It is the SB Zone that has given rise to the large increase in the mineral reserves and resources (including inferred resources) of the Kumtor deposit in 2005 and 2006.

Mineralization took place in four main pulses. An initial pulse resulted primarily in pervasive quartz-carbonate-albite-chlorite-sericite-pyrite alteration, with little gold of economic consequence being deposited. The next two pulses deposited all of the economically significant gold at Kumtor. Feldspar makes up nearly 20% of the ore, carbonates (calcite, dolomite, ankerite and siderite) collectively 25% to 30%, pyrite 15% to 20%, quartz 5% to 10% and the remainder are host rock inclusions.

The mineralization is most intense, and the gold grade is the highest, where metasomatic activity was continuous through mineralization phases two and three. This is the case for the Stockwork and SB Zones, to a lesser extent for the South Zone, and explains their higher-than-average gold grades. The last pulse created planar carbonate-pyrite metasomatic rocks that are associated with zones of intense deformation of previously altered phyllites and hydrothermal rocks.

The gold and the gold-bearing minerals occur as very fine inclusions in the pyrite, with an average size of only 10 microns. This, together with the poor cyanide leach response of the gold tellurides, accounts for the partly refractory nature of the Kumtor ore. The refractory characteristics are reflected in the relatively low historic and forecasted gold recovery of around 80%, despite the very fine grind applied to the pyrite flotation concentrate from which most of the gold at Kumtor is recovered by leaching. The fine grain size of the gold also renders assaying of this mineralization relatively reliable, with only a small nugget effect.

Most of the mineralization takes the form of veins, veinlets and breccia bodies in which the mineralization forms the matrix. In the more intensely mineralized areas, the surrounding host rock has also been altered. Post-ore faulting is generally parallel to, or at low angles with, the mineralized sequence. These faults often carry significant quantities of graphite, which constitute the sources for the preg-robbing character of some of the mineralization.

The Southwest deposit is located three kilometres to the southwest of the Central deposit across the Davidov glacier, along the Kumtor fault. To the southwest, the Southwest deposit is covered by the Sarytor glacier, beyond which additional mineralization is known as the Sarytor deposit. At the end of 2007, the mineral reserves of the Southwest deposit had been almost completely mined out.

The structural/lithological framework of the Southwest and Sarytor deposits is identical to those of the Kumtor deposit with the gold mineralization being controlled by the Kumtor thrust zone. The structural dips are generally shallower than at Kumtor at an angle of 20° to 50°.

A number of individual zones of mineralization have been identified at the Southwest deposit within an overall mineralized envelope that is around 100 metres thick and has been traced by surface drilling for a strike length in excess of one kilometre. Individual zones tend to be relatively narrow and of different levels of intensity, and their contacts are often marked by tectonic crush zones with black fault gouge. Due to the flat orientation of the mineralized zones, their contacts have a sinuous feature in both plan and section.

The Sarytor deposit is located further southwest from the Southwest deposit. The drilling results indicate that mineralized horizon at the Sarytor area strikes east-west and dips south at 20° to 30°. The thickness of the mineralized envelope is relatively consistent and varies from 80 metres to 120 metres, with the strike length of the known mineralization being approximately 800 metres.

Host rocks are tectonized slates and phyllites with lenses of till-like conglomerates and dolomitic slates. Development of background alteration is weak and represented mainly by vein-type silicification. Host rocks do not carry any elevated gold values. The mineralization zone has been traced by drilling for 200 to 300 metres down dip.

The mineralized envelope hosts three mineralized zones separated by zones of strongly faulted host rocks. Alteration intensity and zone thickness increase southward. Metasomatism is represented by banded albite-carbonate-quartz alteration with 3% to 5% pyrite. Barite and siderite are well developed in the southern part of Sarytor. As a rule, pyrite content is positively correlated with the gold grade.

Historical Exploration and Drilling

The principal exploration data acquisition method at Kumtor is diamond drilling. There is a large historical drill-hole database (augmented by underground exploration results) dating back to Soviet times. To a large extent, this information is no longer relevant to the current reserve estimate, since the upper parts of the Central deposit, to which the historical information pertained, has now been mined out. There are only small areas in the current mineral reserves that rely to a significant extent on Soviet data, and this old data is successively being verified by in-fill or replacement drilling.

As a result of the lack of sufficiently detailed information below an elevation of 3,950 metres, about 28% of the Kilborn Feasibility Study open-pit reserves containing one-quarter of the total gold to be mined had been substantially less well documented than the upper part of the deposit. To fill this information gap, and to explore for extensions to the known mineralization, KOC has undertaken a large in-fill diamond drill program in the years 1998 to 2007, comprised of 457 holes in the Central Deposit totalling 145,745 metres and 407 holes on other targets totalling 66,683 metres. Drilling was undertaken from various pit benches and setups outside of the pit, including setups on the waste piles. This has now increased the density of the drill pattern in the lower part of the deposit to that available at the time of the Kilborn Feasibility Study for the upper part.

In the Central, Southwest and Sarytor deposits, the drill holes are generally spaced 40 metres along strike and 40 to 80 metres down-dip in geologically complex areas, and at 80 metres along strike and 60 to 80 metres down-dip in other areas. The entire project assay data base consists of 180,586 KOC assays (112,046 for the Central deposit, 34,378 for the Southwest deposit and 30,583 for Sarytor and 3,579 in other areas) in addition to 75,064 assay results originating from Soviet times.

All of the KOC diamond drill holes are steeply inclined and recover HQ-size core, except when ground conditions necessitate a reduction in core size to NQ. For all of the holes, drill collars are surveyed and down-hole deviations are measured using either a Sperry-Sun single shot camera or a Reflex single shot camera. Limitations on set-ups dictate that a certain number of off-section holes are drilled, particularly within the Kumtor pit. Drill cores are logged for geological and geotechnical information, and are photographed prior to sampling. Drill collar coordinates, down-hole deviation surveys, assay results, and information on lithology, alteration and mineralization are recorded in the mine or exploration drilling databases.

Drill core recovery typically varies from 80% to 100%, averaging greater than 95%. In certain cases where the core recovery from mineralized intervals is low, the hole is stopped and re-drilled to achieve better core recovery. The angle of intersections between the drill holes and the mineralization is generally such that the true width of the mineralization is equivalent to 80% to 100% of the length of mineralized drill-hole intervals.

Sampling and Analysis

In preparing the Kumtor Technical Report in 2008, Strathcona reviewed the database generated by KOC drilling programs from 1998 to 2007 and concluded that the sample collection, sample preparation and assaying protocols in place at the Kumtor operation are in accordance with normal industry operating practises.

The sampling protocol employed in the years prior to 1989 was typical of many projects of the Soviet era. The entire core was removed for sampling, in intervals of an average length of 1.4 metres. Core recovery averaged only 75%. Trench samples were generally one metre long, presumably taken horizontally, but the sampling method is not described. Channel samples were collected from the extensive underground openings approximately one metre above the floor and varied from 0.5 to 2 metres long. The channels are reported to have measured 10 centimetres (cm) wide by 5 cm deep. The analytical work was carried out at the Central Scientific Research Laboratory of Kyrgyz Geology. The gold assay method was fire assay for all samples prior to 1989 (a total of 44,580 determinations) and a more productive atomic absorption ("AA") method in 1989 (12,612 determinations). Internal and external duplicate assaying was undertaken.

For the drilling completed by KOC from 1998-2007, the drill core length is measured and checked against the depth blocks inserted by the drillers in the core boxes. The core is logged and photographed. Sample intervals are chosen to be representative of geological features such as veining, alteration and mineralization. Individual samples are normally one metre long, but the interval may be increased to two metres in unaltered rocks. With the exception of geotechnical holes, drill holes are sampled over their entire length.

Competent drill core selected for sampling is cut by a diamond saw into two halves. One half is placed into a numbered bag and sent to the laboratory for assaying. The other half is placed back in the core box and retained in permanent storage. Incompetent core intervals are sampled with a scoop that fits snugly into the individual rows, removing one-half of the material at the discretion of the sampling technician.

Blasthole cuttings are sampled with a device that is placed radially away from the collar of the hole. It collects about ten kilograms for an eight-metre bench height. Given the relatively forgiving nature of the Kumtor mineralization with respect to sampling, this is satisfactory, if not ideal.

All sample collection, preparation and assaying from the 1998-2007 drilling programs were performed by KOC personnel at the KOC-owned site laboratory, which is not certified but is subjected to periodic calibration and operations checks by the Kyrgyz National Accreditations agency. Sample collection protocols are monitored by KOC's exploration manager and the QA/QC geologist. Preparation and assay protocols are supervised by KOC's chief assayer at the Kumtor mine. Samples are delivered to and from the laboratory at the mine site by KOC personnel.

The internal quality control measures at the KOC mine laboratory consist of the routine insertion of internally prepared standards and a blank at a combined rate of one standard/blank per 30 samples. An original set of standards was certified by four independent laboratories, but subsequent standards are not. The standards are prepared from Kumtor mineralization and reflect three grade ranges - tailings grade (approximately 0.4 grams of gold per tonne), a head sample

that has varied from 3.7 grams of gold per tonne to 7.3 grams of gold per tonne, and a concentrate sample that has varied from 29.5 to 33.8 grams of gold per tonne.

In addition, the laboratory routinely re-assays duplicate pulps at a rate of 20% as an internal check on assay precision. KOC geological staff do not submit external blanks and standards as blind samples with their drill core sample batches. However, bench composites are created from drill-hole intersections for check assaying and metallurgical test work, and this data provides a further check for the initial assay results.

Quality control checks on reject duplicates are routinely performed by the CSRL laboratory at Kara Balta which is certified by the United Kingdom Accreditation Service under ISO 17025:2006. A minimum of 20% of the total samples from the KOC drill programs have been re-assayed using the fire assay method with a gravimetric finish. During 1998 and 1999, KOC geological staff periodically re-assayed second splits of the coarse rejects for entire mineralized intervals to compare against the initial assays. Since 1999, this has become standard practice for all mineralized intervals that are intersected by drilling. The re-split samples retain the original sample number and are re-assayed at both the mine and the CSRL.

Periodic check assaying is also undertaken at the local laboratory of Alex Stewart Assayers and Environmental Laboratory also located in Kara Balta, which is not accredited but participates in an international laboratory round-robin organized by Geostats Pty. Ltd.

Much of the deposit covered by the early sampling programs has now been mined, and the only effect of any deficiency is the possible influence of a faulty early database during the testing of a block model against the mined-out, upper parts of the deposit where this data predominates.

The sample preparation and assaying methods used by Centerra meet industry standards. While the results of the check assay program indicate that there are no major apparent issues with respect to assay accuracy, the QA/QC protocol used was both incomplete (the lack of true blanks and standards that are blind to the KOC laboratory and to CSRL) and cumbersome, since much duplicate assaying is performed on low-grade to very low-grade samples. Centerra has recently implemented certain changes to the protocol which will mean a significant reduction in duplicate assaying of waste material, but will result in a marked improvement of the reliability of the assays within mineralized zones.

Kumtor Reserve and Resource Estimates

The mineral reserves and resources of the Kumtor project, which include the Central Pit and the Southwest and Sarytor deposits, were most recently estimated as of December 31, 2007 by Ian Atkinson, P. Geo., Centerra's Vice President, Exploration, who is a qualified person. Resource estimation at Kumtor has been undertaken using a number of mineral resource block models, following procedures in accordance with Canadian reporting standards as required by NI 43-101. Each of the Central, the Southwest and the Sarytor deposit has its own block model.

Central Deposit Resource Block Model

The KS-8 block model was developed in 2007 for the Central deposit and is based upon the most recent drilling information, including the results of all in-fill drilling completed from 1998 to October 31, 2007, and is based on geological modeling using vein and alteration intensities together with gold grade information to subdivide the higher and lower grade gold mineralization at the Central Pit into 23 mineralized zones. The KS-8 model uses blocks measuring 10 metres by 10 metres by 8 metres, with the vertical dimension matching the mining bench height. Each block is assigned to a particular mineralized zone and a gold grade is interpolated into the block from the surrounding assay data.

All available assay results for a particular sample are averaged, and the average value is used for mineral resource estimation. Within the low-grade shells, a top cutting value of 60 grams of gold per tonne was applied to individual raw assays based on cumulative frequency plots and production history. Within the high grade SB shell, a top cut of 100 grams of gold per tonne was applied to individual assays, prior to compositing to 2 metre intervals for interpolation. Capping affects less than 1% of the assay intervals. Two metre down-hole composites were then created from the

capped new assays and the composites used for grade interpolation. The grade interpolation was by ordinary kriging of the assay information residing in the two metre composites using a general search ellipsoids of 100 metres along strike, 100 metres down dip and 5 metres across the dip.

Southwest and Sarytor Deposits

The mineral reserves of the Southwest deposit have been almost completely exhausted at year-end 2007, and the remaining resources outside of the final pit were estimated using the block model originally established in 2004.

Following a substantial amount of in-fill drilling in 2006, the Sarytor block model identified as SR-2 was newly created for the year-end 2006 reserve estimate. A new geological model was developed, identifying ten mineralized zones, with two of the zones containing the majority of the resources and reserves. After capping the individual assays at 30 grams of gold per tonne, grade interpolation using two-metre composites within the two main shells was accomplished using ordinary kriging, while the small zones were interpolated using anisotropic inverse distance squared methods because of the lower overall drilling density. Variography identified primary ranges of 20 to 30 metres along strike, 20 to 50 metres down-dip and seven to 10 metres across the dip. Secondary ranges are 40 to 80 metres along strike, 40 to 50 metres down-dip, and 12 to 16 metres across the dip.

Resource Classification

The mineral resource classification for the Kumtor project into measured, indicated and inferred categories for resources considered for open-pit mining is based on the distance to the nearest composite. If the nearest composite in the Central and the Southwest deposits is within 30 metres, then a block is placed in the measured category. If the nearest composite is at a distance larger than 30 metres but shorter than 60 metres, then the block is placed in the indicated category. All blocks having the nearest composite at a distance greater than 60 metres are placed in the inferred category.

The distances used at Sarytor are smaller, from 20 to 50 metres for the indicated category (first pass interpolation), depending on the size and grade continuity of the individual zones. The inferred category was assigned to those blocks at twice the distance of the first pass. There are no measured resources at Sarytor, reflecting the lack of actual mining experience for this deposit.

Mineral Reserves Estimate

The Kumtor mineral reserves were estimated as of December 31, 2007 by KOC's and Centerra's mining resource groups on the basis of the KS-8 and SR-2 block models and pit designs. In estimating mineral reserves, allowances were made in the models for internal and external dilution. External dilution is provided for by adding to the tonnage of each block containing more than one rock type (i.e., ore and waste) an arbitrary one-half of the waste tonnage in such a block.

The economic design parameters assume an average gold price of \$550 (US) per ounce (both for the purposes of estimating mineral reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and in accordance with United States Securities and Exchange Commission's Industry Guide 7 for US reporting purposes), average mining costs of \$0.91 (US) per tonne of material mined from the Central Pit and \$1.21 (US) from the Sarytor deposits. Milling, ore haulage and general and administrative costs used were \$15.35 (US) for the Central Pit and \$15.73 (US) for the Southwest and Sarytor deposits. Metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 47% to 87%. The economic effects of the Agreement on New Terms on the pit design were evaluated and found to be of negligible importance.

The cut-off grade used to report the reserves has been chosen by Centerra at 1.0 grams of gold per tonne, lower than the past value of 1.3 grams of gold per tonne. This is partly due to the recent increase in the gold price. The 1.0 grams of gold per tonne value allows the mill to be operated in 2008 and 2009 at the plant design capacity. The low grade stock pile that has been accumulated by the end of 2007 will supplement the open pit ore in 2008 and 2009.

The reserve classification will normally reflect the original resource classification, with measured resources becoming proven reserves and indicated resources becoming probable reserves. However, in the Central Pit, both the high wall and

the final push back phase of the southwestern part of the pit have remaining geotechnical uncertainties that constitute a certain risk for the eventual recovery of part of the reserves. All of the mineral reserves affected by these uncertainties have been assigned the probable classification, including the mineral resources originally classified as measured. This involves a total of 17.9 million tonnes at an average grade of 4.4 grams of gold per tonne representing 57% of the Central Pit proven and probable in situ reserves.

All reserves in the Southwest and Sarytor deposits have been classified as probable reserves in view of limited production reconciliation history.

The following table sets out the Kumtor proven and probable mineral reserves estimate as of December 31, 2007:

Kumtor Reserves as of December 31, 2007

CATEGORY			<u>Tonnes</u>	<u>Gold Grade</u>	<u>Contained Gold</u>
			(thousands)	(g/t)	(thousands of ounces)
Proven (Kumtor Central Pit)	Stockpiles	Greater than 1.0 g/t	3,594	1.4	158
	In situ	Greater than 1.0 g/t	<u>6294</u>	<u>5.3</u>	<u>1,065</u>
Total Proven Reserves			9,888	3.8	1,223
Probable (Kumtor Central Pit)	In situ	Greater than 1.0 g/t	25,342	4.1	3,334
Probable (Southwest deposit)	In situ	Greater than 1.0 g/t	369	2.9	34
Probable (Sarytor deposit)	In situ	Greater than 1.0 g/t	<u>2,835</u>	<u>3.4</u>	<u>311</u>
Total Probable Reserves			<u>28,546</u>	<u>4.0</u>	<u>3,679</u>
Total Proven and Probable Reserves			<u>38,434</u>	<u>4.0</u>	<u>4,902</u>

Except for the potential risks posed by the geotechnical issues described under the heading "Mining Operations - Geotechnical Issues Affecting the Kumtor Open Pit" and political risks pertaining to the Kyrgyz Republic described under "Risk Factors", there are currently no known environmental, permitting, legal, title, taxation socio-economic, marketing, political or other relevant issues that might materially affect the estimate of Kumtor mineral reserves.

The changes to the reserve base during 2007 predominantly reflect the lowering of the cut-off grade, which now includes 8.5 million tonnes with an average grade of 1.1 grams of gold per tonne (existing stockpiles plus future production) that previously were not. A small tonnage gain of 0.4 million tonnes was registered for Sarytor, for the same reason. The remainder of the increase is due to modifications to the Central pit design, which upgraded a modest tonnage of resources below the pit into reserves, and the increase in gold price. The resulting increase in reserves more than offset the gold mined during 2007.

Mineral Resources Estimate

Additional mineral resources have been estimated outside the updated pit designs at the Central Pit, as well as the Southwest and Sarytor deposits. The estimates of additional mineral resources for the expanded Central, Southwest and Sarytor open pits have been based upon a cut-off grade of 1.0 grams of gold per tonne using the undiluted KS-8, Southwest and Sarytor block models. The additional mineral resources occur in the space between the current ultimate pit design that is based on a gold price of \$550 (US) per ounce, and optimized larger pit shells (resource shells) that are uneconomic at a gold price of \$550 (US) per ounce.

Kumtor Resources as of December 31, 2007

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
Measured	Open Pit (>1.0 g/t)	18,770	3.2	1,931
Indicated	Open Pit (>1.0 g/t)	<u>19,323</u>	<u>2.8</u>	<u>1,741</u>
Total Measured and Indicated Resources	Open Pit (>1.0 g/t)	<u>38,093</u>	<u>3.0</u>	<u>3,672</u>
Inferred	Open Pit (>1.0 g/t)	778	1.8	46
	Underground (>7.0 g/t)	<u>2,796</u>	<u>20.0</u>	<u>1,797</u>
Total Inferred Resources		<u>3,574</u>	<u>16.0</u>	<u>1,843</u>

Mineral resources are not mineral reserves and do not have demonstrated economic viability.

SB Zone Underground

In 2006, SRK Consulting (Canada) Inc. ("SRK Canada") conducted a scoping study with respect to mining the SB Zone by underground mining methods below the ultimate Central pit. Diamond drilling to date in the SB Zone has outlined a high-grade inferred resource below the current pit design, estimated to be 1.8 million ounces of contained gold at an average grade of 20.0 grams of gold per tonne.

Based on the results as the SRK Canada Study on December 7, 2006, Centerra announced a \$36 million (US) underground program to upgrade the SB Zone inferred mineral resources considered for underground mining to a higher classification. The underground exploration program will include delineation drilling from the exploration decline, level development, test mining and a subsequent detailed technical and economic study. Excavation of the box cut for the decline portal was complete at the end of 2007, and the first round of the decline has recently been taken. The physical underground exploration and delineation program is scheduled to be completed at the end of 2010.

In 2007, the designs for the portal, surface facilities and decline to access the SB Zone were completed, and three permit applications which are required under applicable mining law were submitted to the relevant authorities for approval. The permit applications were approved in the second half of 2007, and construction of the portal and surface support structures commenced. The portal to the decline required an extensive excavation of colluvium to access a secure rock face and protect the portal entrance. A 100 metre long culvert was designed as the primary portal entrance. The first rock blast occurred on February 29, 2008. All equipment required for this phase has been purchased.

A decision to commence mining SB Zone resources will be considered as drilling results become available. Plans to expand the underground development to allow for the timely extraction of the SB Zone are expected to be formulated in 2008.

Employees

At December 31, 2007, Kumtor had approximately 2,145 employees (excluding long-term contractors), of which approximately 96% are Kyrgyz citizens. The Kumtor mine is unionized and all of Kumtor's national employees in the Kyrgyz Republic are subject to a collective agreement between KOC and the Trade Union Committee. Labour relations to date have been generally good and there has been only been one work stoppage due to a labour dispute in December 2006. KOC reached agreement with trade union representatives on the material terms of a new, two-year labour agreement in February 2007.

Mining Operations

Mining

Mining operations at Kumtor are carried on using conventional open-pit mining methods. The Central deposit is mined in a large open pit where total material mined in 2007 was nearly 80 million tonnes, or 220,000 tonnes per day. Additionally, 35 million tonnes were mined in 2007 from the Southwest pit, or 96,000 tonnes per day. The overall waste to ore ratio in 2007 was 21.4 to 1. Total mining in 2007 thus amounted to 14,000 tonnes per day of ore including low-grade material to stockpiles, and more than 300,000 tonnes per day of waste.

The initial stripping of the Kumtor orebody in 1995 had the unusual challenge of mining a portion of the Lysii glacier that covered the northeastern area of the planned open pit, and lesser quantities of ice have been removed in subsequent years as the northeast highwall of the open pit is pushed back. Additional mining of the Lysii glacier is planned as part of the high wall push-back in the coming years.

The top mining elevation in the Central deposit's current ultimate pit design is at about 4,460 metres, and the very deepest part of the final pit excavation will be at 3,650 metres in the southwest part of the deposit. The crushing plant to which ore is delivered is at about 4,050 metres and ore transport was thus downhill for the upper portion of the orebody, and will have a maximum uphill haul of 400 metres for the lower portion. The haulage distance from the Southwest deposit is about 5.2 kilometres, and the haulage distance for the Sarytor deposit, scheduled to be mined starting in 2009, will be 7.8 kilometres.

Waste disposal continues to be on the upper and lower parts of the Davidov glacier. The waste does not have any acid generation potential because of its high carbonate content. As the waste is being deposited, the glacier reacts as a result of the increasing load. The ice movement is measured and monitored.

Mining is based on eight-metre benches with split-bench mining in areas of lower ore thickness. Blast holes are currently drilled using 11 rotary-percussion drill rigs. In 2008, eight of the rigs will be converted to drill holes with a wider diameter. This will result in a wider drill-hole pattern making the other three rigs redundant. Charging the holes is undertaken by special bulk explosives trucks delivering either ammonium nitrate with fuel oil (ANFO), or the use of emulsion explosives for wet holes.

The main loading fleet includes ten hydraulic excavators (nine of which are configured as shovels and the other as a backhoe), four shovels and three front-end loaders. Typically, the shovels are used for production and the loaders for ore blending, cleanup and support during shovel maintenance.

During 2007, total capital expenditures at Kumtor amounted to \$88 million (US), mainly for pre-stripping the South Pit, the SB Zone underground project, the tailings dam shear key extension and the purchase of 16 haul trucks and four shovels.

Grade control in the pit is based on the sampling of blast hole cuttings whose grade and metallurgical character are determined at the site laboratories. This information is entered into the ore grade control model, based on which the various ore blocks are staked in the field for digging. The ore is then delivered to the crusher or the appropriate stockpile depending on the daily blending requirements. Kumtor has an active and dynamic blending program in close contact with the mill that adjusts the ore blend as required to maximize the gold recovery.

Hydrological conditions are controlled by the presence of up to 250 metres of permafrost that has, however, become more discontinuous in the area affected by mining due to seepage of seasonal surface waters into the ground. Groundwater volumes from this source zone are relatively small and are included with the water volumes handled as surface runoff and glacial meltwater. Surface waters are partly diverted away from the pit using diversion ditches, sumps and gravity pipelines. Water within the pit is channeled to sumps and is pumped outside the pit limits. The original permafrost boundary was between elevations 3,900 metres and 3,950 metres along dewatering ditches and parts of the pit are not in unfrozen ground. The consequences for pit wall stability are described in "*Mining Operations - Geotechnical Issues Affecting the Kumtor Open Pit*".

Kumtor has approximately seven years of remaining mine life.

Milling

The Kumtor flowsheet for ore processing is a standard layout that consists of crushing, grinding, flotation, cyanide leaching and gold recovery in a carbon-in-leach ("CIL") circuit. The milling process reflects the fine-grained nature of the gold and its intimate association with pyrite and consists of crushing, grinding, pyrite flotation and double re-grinding the flotation concentrate. Two separate CIL circuits recover the gold from the re-ground concentrate and from the flotation tails, with final gold recovery accomplished by electrowinning and refining. The mill was originally designed with a capacity to process 4.8 million tonnes of ore per year, but the actual mill throughput is currently approximately 5.6 million tonnes per year.

The ore to be milled is managed through a number of stockpiles that receive ore of different metallurgical character and of different grade ranges and thus allow blending of the mill feed. A gyratory crusher reduces the ore to 100% minus 30 centimetres. The ore is then fed to a coarse ore stockpile from which it is reclaimed for grinding, first to a semi-autogenous ("SAG") mill and then to a ball mill, which together reduce the grain size to 80% passing 140 microns. A bulk sulphide concentrate representing 7% to 11% of the original mill feed is then produced with a grade of 30 to 50 grams of gold per tonne and a gold recovery of 87% to 92% into the concentrate.

The flotation concentrate is re-ground to 90% passing 20 microns. After thickening to 60% solids, it is once more re-ground to 95% to 98% passing 20 microns in an ultra-fine grinding ("ISA") mill, re-pulped to 45% solids, pre-aerated for 40 hours and leached for 80 hours in the CIL circuit consisting of four agitated tanks in series. Centerra commissioned the ISA mill at a cost of \$6.8 million (US) in October 2005. Application of this new technology has resulted in increased recoveries in excess of 2%.

The flotation tailings with an average grade of 0.45 grams of gold per tonne are thickened to 50% solids and subjected to cyanidation for ten hours in a CIL circuit similar to the circuit used for the sulphide concentrate. The carbon in both CIL circuits is moved forward counter-current to the slurry flow, and the loaded carbon from the first flotation tailings CIL tank is pumped to the third concentrate CIL tank to continue loading. Loaded carbon from the first concentrate CIL tank is pumped to the gold recovery plant. The loaded carbon is stripped and the gold subsequently recovered by electrowinning.

The main grinding and re-grind circuits use ball mills that are constructed by joining together four segments bolted at the flanges. Since the inception of production, there has been a bolt breakage issue at the flanges of the re-grind mills that required ongoing remediation by various methods. To reduce the risk of significant interruption in milling, Centerra replaced the re-grind shell and discharge head in a planned shutdown, which has eliminated the bolt breakage problem on the flanged segments. The ISA mill was used as a temporary replacement for the re-grind mill during installation of the replacement mill shell and head. Additionally, in 2006 a SAG mill motor was purchased as an emergency spare to reduce the risk of a shutdown due to SAG mill motor problems. In late February 2008, Kumtor temporarily shut down the mill in order to repair the ring gear on the ball mill. The ring gear was repaired in mid-March 2008 and replacement of the ball mill shell, a defect in which is believed to have contributed to the failure of the ring gear, is ongoing and is on schedule to be completed by early April 2008. The ball mill is expected to be returned to operation by mid-April 2008. Centerra does not expect the shutdown to affect forecast gold production.

Gold recovery in the CIL circuits is 30% for the flotation tailings and 90% for the sulphide concentrate. The loaded carbon is stripped and the gold subsequently recovered by electrowinning.

Gold recovery, particularly during the early phase of operations, was affected by the preg-robbing character of some of the ore due to active graphite. These effects have been moderated by adding diesel fuel and sodium laurel sulphate ("SLS") as masking agents to the ore feeding the SAG and re-grind mills. Historically, the overall metallurgical recovery rate has averaged 79.4%.

Production History

The Kumtor mill started processing ore in the third quarter of 1996, leading to commercial production in the second quarter of 1997. Through December 31, 2007, a total of 59.4 million tonnes of ore has been milled with an average gold content of 4.05 grams of gold per tonne. The total gold recovered was 6.15 million ounces. In addition, 699 tonnes of waste and ice had been mined for an overall strip ratio of 11.8 to 1. Production in 2007 of 300,862 ounces of poured gold was below Centerra's projection of 450,000-460,000 ounces at the beginning of the year as a result of the delayed access to the SB Zone. See "*Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit*" below.

Geotechnical Issues Affecting the Kumtor Open Pit

The Northeast Wall (High wall)

Operations of the Kumtor pit have been negatively affected as a result of two substantial failures of the highwall that forms the northeastern limit of the Kumtor pit. While some ground movement is common, on July 8, 2002 a very significant and unexpected movement occurred (the "2002 highwall ground movement") that affected the pit wall over a vertical distance of 280 metres, caused one fatality and resulted in the temporary suspension of mining operations. Although mine production resumed seven days later in an area away from the pit wall failure, the highwall ground movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible to mining. Consequently, KGC milled lower-grade ore and achieved lower recovery rates.

Following the 2002 highwall ground movement, a program of structural mapping and geotechnical drilling with assistance from SRK Consulting (UK) Ltd. ("SRK UK") commenced. Based on the advice of Centerra's geotechnical consultant, Golder Associates Ltd. ("Golder"), and following further technical investigation, Centerra revised the structural model in the area of the highwall and reformulated the slope design criteria for the final pit. The original overall slope design angle was 42°, which was redesigned to 36° based on the assumption of a circular rock mass failure. Mining of ore in the pit sector affected by the rock fall resumed in 2003. As of December 31, 2005, the entire area affected by the 2002 failure had been mined out.

Centerra's claim under its insurance arrangements for certain losses it incurred as a result of the 2002 highwall ground movement, in particular the failure of the working bench, was settled in August 2006 for approximately \$13.6 million (US).

A second pit wall failure occurred on July 13, 2006 (the "2006 highwall ground movement") encompassing about two million cubic metres of waste rock in approximately the same location as the 2002 failure, above the Stockwork Zone that was planned to be mined in 2006 and 2007. An automated prism monitoring system, installed by Centerra as a result of the initial 2002 highwall ground movement, provided sufficient warning to remove all personnel and most equipment from the area affected by the failure. A diamond drill rig was destroyed by the new slide. Due to safety concerns, mining from the area was deferred, and mill feed from this area was partly replaced with low-grade ore stockpiles resulting in a significant and negative impact on production. Mining of the high wall affected by the failure was again postponed and has not yet resumed. As a result, mill feed planned from this area was replaced with low grade ore stockpiles. Production in 2006 totalled 303,582 ounces of gold compared to a projection of 410,000 to 420,000 ounces of gold (revised as of April 30, 2006). Mining of the north wall affected by the ground movement was postponed. Mine production equipment from this area was moved to the SB Zone to accelerate stripping in order to access higher-grade ore expected in mid-2007.

Following the 2006 highwall ground movement, Centerra began an expanded program of structural mapping and Golder and SRK UK continued to assess causes of the pit wall failure and provided guidance with respect to remedial and long-term pit slope design criteria that would reduce the possibility of recurrence. This work has provided insight into why the highwall failures occurred. Large shallow wedges are interpreted to have formed the failure plane, and sub-glacial water seeping from the overlying Lysii glacier into the pit wall, reducing the extent of the original permafrost regime, exacerbated by a dysfunctional drainage ditch above the slide, have been recognized as contributing factors to the 2006 highwall ground movement.

Based on recommendations by Golder and SRK UK, the high wall slope for the year-end 2007 mineral reserve estimate and life-of-mine plan has now been designed with slope angles that range from 28° to 32°. The slope has been flattened to excavate any deeper wedges that might exist to prevent further similar failures. In addition to the flattening of the high wall, more ice is scheduled to be removed from the remaining Lysii Glacier snout starting in 2008, and any melt water from the glacier should be reliably directed away from the pit so that the pit wall is no longer affected.

The factor of safety for the slope as planned can only be determined with additional work to identify the geometry and distribution of the remaining but diminished permafrost, and the degree of water saturation in areas where the permafrost has receded or was never present. The necessity of depressurizing the high wall by horizontal drains, considered to be technically possible, requires the investigation of the ground water and permafrost regimes to allow an assessment of the need for relief wells. Moreover, surface waters need to be reliably diverted from the wall.

Since mining of ore requiring the push-back of the highwall is not planned before 2011, there is time available to complete these investigations. Anticipating that Centerra will undertake additional studies to confirm the structural geology, investigate the groundwater regime and determine whether rock dewatering of the highwall is required and how it may be achieved, the inclusion of the affected ore tonnage in Kumtor's current statement of mineral reserves has been accepted. There is, however, a risk that some or all of the reserves in question, being 7.8 million tonnes with an average grade of 3.7 grams of gold per tonne and an incremental strip ratio of 29 to one, may not be recoverable without a further substantial flattening of the highwall.

The Southeast Wall

The south-east wall of the Kumtor pit has a number of geotechnical challenges that have a significant affect on the amount of high-grade ore from the SB Zone that can be recovered by open-pit mining.

The excavation of the SB Zone takes place below the former location of the Davidov glacier in the south-western part of the Kumtor deposit. Prior to the identification of the SB Zone, waste rock had been dumped in this area. This has resulted in the gradual displacement of the glacier away from the pit, so that the waste, originally lying on glacier ice, now rests for the most part on the original substratum, the basal moraine ("till") of the glacier. The new Kumtor life-of-mine plan will continue this practice.

The waste dumps acts as a buttress between the glacier and the pit, as intended. As a consequence, the outer edge of the final pit design in this area is fixed and push-backs of the Kumtor pit past the berm cannot be used to recover deeper parts of the SB Zone.

The till onto which the waste was dumped is loose, granular and heterogeneous with respect to fines content and permeability. The initial design of the south east wall assumed a 36° slope in the lower bedrock, an 18° face in the glacial till and a 36° slope in waste rock overlying the till with an overall slope of 29° as recommended by Golder.

In the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. Deformation cracks in the waste rock above the till focused the mine staff's attention on wall instability seated in the glacial till between the waste dumps and the underlying bedrock. Drilling has indicated that further push backs of the Kumtor pit will encounter unfrozen, water-saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. The till appears to be pressurized by water derived from the base of the Davidov glacier as well as by water flowing through unfrozen bedrock in the pit walls. An initial geotechnical drilling and analysis program was undertaken in the second quarter of 2007 to determine whether a lower design slope angle would be required to stabilize the waste dump and, if so, to determine the effect on future production.

In a press release issued on July 19, 2007, Centerra reported that independent geotechnical experts had completed their preliminary analysis of the previously reported high wall waste dump movement and the preliminary findings of the glacial till characterization. An initial assessment of the slope with full water pressure in July 2007 led to redesign of the overall slope by Golder to 18° above the till/bedrock contact with significantly flattened till and waste rock slopes. Since the crest of the ultimate pit slope is fixed at this location, such flattening of the slope from the original 29° by 11° would

have had a significant and negative impact on the December 31, 2007 mineral reserves by raising the pit bottom by some 95 metres. The lower slope angles would also delay access to the SB Zone.

Further technical assessment since July of 2007, including additional drilling, installation of piezometers (devices installed in drill holes that allow the direct measurement of pore water pressure in the surrounding rock) and de-watering tests (a pump test utilizing a pumping well and two observation holes) have led to a better understanding of the water pressure distribution in the till. The de-watering tests undertaken to date indicate that the till can be depressurized to allow push back of the overall slope at an approximate angle of 30° - near to the original design. Recent interpretation of the geological structures in the south east corner of the Central Pit has indicated the need to flatten the rock slope beneath the till where foliations interact unfavourably with steeply dipping cleavage, foliations and north-westerly dipping thrust faults. This work indicates that there are likely several parallel thrust structures behind the slope so that failure modes would include a combination of cleavage, foliation attitude and faults. Subsequent work by Golder has confirmed that a slope angle of 20° is required in these areas where these structures are oriented poorly with respect to the pit geometry. However, Golder notes that the rock slope angle can be steepened substantially to about 30° if depressurization is undertaken. While there is no reason to believe that depressurization cannot be undertaken, there has been no relevant testing done in this area of the pit.

While depressurization tests of the rock below the till have not yet been undertaken, the rock is fractured and is likely amenable to depressurization. The method of depressurization still has to be determined, but a series of pumping wells on the surface, or a drainage adit at depth to dewater by gravity, are being considered. Both approaches are technically feasible. If depressurization of the till and of the underlying rocks cannot be achieved, however, the flatter slope angle required under Golder's initial assessment would lead to a reduction of the mineral reserves mineable by open pit by approximately ten million tonnes with an average grade of 4.9 grams of gold per tonne. Note, however, that about 1.4 million tonnes with an undiluted grade of 21 grams of gold per tonne, which are part of this tonnage in question, would be added to the inferred resources scheduled for underground exploration and possible later mining by underground mining methods. The pit design, on which Centerra's December 31, 2007 mineral reserves are based, uses the steeper set of design angles which anticipate successful depressurization of both the till and the underlying rocks.

Conclusion

The aggregate mineral reserves with exposure to geotechnical risk total nearly 18 million tonnes with an average grade of 4.4 grams of gold per tonne. To reflect the additional risk in this part of the Kumtor reserve, the entire tonnage in question has been included in the probable reserve class, even if their resource counterpart was originally in the measured category.

2008 Production Estimate

In 2008, approximately 5.658 million tonnes of ore at an average grade of 4.1 grams of gold per tonne is scheduled to be processed, resulting in expected production of 618,000 ounces of gold.

The foregoing 2008 Kumtor production estimate and certain other statements regarding plans and expectations for Kumtor under the heading "Kumtor Mine" and elsewhere in this Annual Information Form are forward-looking information and are based upon the following key assumptions and subject to the following factors that could cause results to differ materially:

- Cameco has assumed that the geotechnical issues affecting the Kumtor Pit, which is a challenging deposit to mine, will be overcome and that all necessary studies, investigations and remediation efforts to pushback the highwall and dewater the glacial till and rocks above the SB Zone and portions of the east wall are successful, but actual production results could differ materially if these geotechnical issues cannot be resolved successfully within the expected timeframe;
- Cameco has assumed that the initial planned raise of the tailings dam by three meters is successfully completed on schedule by the end of 2008 and that all necessary permits and authorizations are obtained, and all work is successfully completed, for a further raise of the tailings dam by an additional

three metres by 2010, but there is a risk that future production levels will be constrained if these raises of the tailings dam cannot be successfully completed on schedule;

- Cameco has assumed that the Agreement on New Terms is completed and all conditions are satisfied, including approval of the Parliament of the Kyrgyz Republic and any required regulatory or other approvals, but that is subject to the risk that the agreement is not completed or the conditions are not satisfied;
- Cameco has assumed that Centerra receives all necessary permits and authorizations, including environmental permits and authorizations, from governmental authorities of the Kyrgyz Republic in a timely fashion and on acceptable terms to maintain scheduled production, but that is subject to risk that such permits or authorizations cannot be obtained in a timely manner or on terms satisfactory to Centerra.

Cameco has also assumed there will be no material unexpected disruptions to Kumtor's planned production schedule, but Kumtor's operations are subject to the risk of delays in or suspension of production associated with: further ground movements of the pit walls, waste dump or tailings dam; seismic activities, weather and other natural phenomenon; the occurrence of water inflows; unexpected geological or hydrological conditions; employee relations, litigation or arbitration proceedings; blockades or opposition by local communities; equipment failure; delays in obtaining or failing to procure required capital equipment, operating parts and supplies; environmental accidents or contamination; increased regulatory burden; and political instability and political unrest in the Kyrgyz Republic.

Other factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; increases in production and capital costs; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; seismic activity, weather and other natural phenomena; the speculative nature of exploration and development, including the risks of obtaining necessary permits and approvals from government authorities; changes in national and local government legislation, taxation, controls, regulations, policies and political or economic developments in Kyrgyzstan; and other development and operating risks.

If actual results differ materially from the assumptions set out above or any of the material risk factors identified above or elsewhere in this Annual Information Form, including under the headings "Caution Regarding Forward-Looking Information and Statements" and "Risk Factors", occur, production from Kumtor may differ materially from the foregoing production estimate and Centerra's plans and expectations for Kumtor may differ materially from actual results.

Gold Sales

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. If Kyrgyzaltyn does not purchase any gold produced, the Investment Agreement provides that KGC may export and sell the gold outside of the Kyrgyz Republic without restriction.

Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until May 15, 2008, to defer payments for gold for up to 12 calendar days. Kyrgyzaltyn has agreed to sell, before May 15, 2008, a sufficient number of Centerra common shares to yield \$12 million (US) of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility to be used by Kyrgyzaltyn to resume the practice of pre-paying for gold. The obligations of Kyrgyzaltyn are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn.

Kyrgyzaltyn Management Fee

In connection with the Kumtor restructuring, KOC entered into an amended and restated agreement with Kyrgyzaltyn for its participation in the operation of the Kumtor gold project (the "Management Services Agreement"). This agreement came into effect together with the Investment Agreement on closing of the Kumtor restructuring.

The Management Services Agreement provides for payment of a management fee to Kyrgyzaltyn in return for its continuing assistance in the management of the Kumtor operations. Kyrgyzaltyn received an initial payment of \$1 million (US) and will receive subsequent payments calculated on the basis of \$1.50 (US) per ounce of gold sold. The total amount of such subsequent payments is expected to be less than \$1.5 million (US) annually.

Environmental, Health and Safety Matters

Centerra's operations at the Kumtor mine are subject to environmental and safety requirements arising from the legislation and other legal requirements applicable in the Kyrgyz Republic, supplemented by contractual commitments to conduct operations in accordance with good international mining practice and in material compliance with the standards applicable under the EMAP for the Kumtor mine, which includes operation in material compliance with federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines.

For Kumtor, a number of certificates, permits, licences and approvals are required to be obtained from various departments of the government of the Kyrgyz Republic, including with respect to the use of potentially toxic chemicals, transportation of dangerous goods, importing of blasting materials and sodium cyanide, environmental emissions and discharges, and water usage.

In 2000, KOC developed a formal Environmental Management System ("EMS") following the ISO-14001 standards for determining and managing environmental aspects associated with its activities. The EMS addresses all impacts of the operation on the environment and monitors compliance with the various permits issued by the Kyrgyz authorities.

In May 1998, a truck en route to the Kumtor gold mine accidentally overturned and spilled approximately 1,760 kilograms of sodium cyanide into the Barskaun River, which in turn drains into Lake Issyk-Kul. Following the accident, an independent scientific commission of international experts was assembled to assess the impact. The commission released its report to the public in September 1998 and, among other things, concluded that no fatalities resulted from the spill and that, based on reported cases where humans may have been affected within the first 72 hours, up to 16 cases of cyanide exposure may have occurred. However, the commission concluded that none of these exposure cases was confirmed, that no medical evidence has been suggested to support these cases as being cyanide-related, and that none of these potential cases were likely to experience long term effects. Despite the finding of the international experts, a separate commission established by the Prime Minister of the Kyrgyz Republic determined that damages as a result of the accident amounted to \$4.6 million (US). Subsequently, KGC reached a formal settlement agreement with the government of the Kyrgyz Republic. In January 1999, the settlement agreement was submitted to a tribunal of the American Arbitration Association, which reviewed the terms of settlement and confirmed them as fair and reasonable. This represents a final settlement of all claims or potential claims arising from the accident. Mine operations were not interrupted by the accident.

In July 2005, protesters, in an action related to the 1998 cyanide spill, illegally blocked access to the Kumtor mine alleging, among other things, a lack of compensation from the government. In response to the roadblock, the government created a state committee to inquire into various aspects of the Kumtor operation and the consequences of the spill. Based on the inquiries of the state committee, the government issued a decree in September 2005, requesting, among other things, that certain government agencies enter into negotiations with KGC and ask that KGC provide new funds to compensate local residents. Throughout these negotiations KGC's position continued to be that the settlement agreement was a final settlement of all claims and that any new compensation was the responsibility of the government. On November 14, 2005 there was a further illegal roadblock by protesters that blocked access to the mine. This roadblock was lifted on November 21, 2005 after further negotiations among the protesters, the government and KGC. As a result of these negotiations, the government acknowledged its responsibility for any new compensation relating to the spill. To assist the government in fulfilling its responsibilities, in December 2006 an agreement was signed between

KGC and the government under which KGC agreed to make interest-free advances of approximately \$4.4 million (US) to the government. To date, \$3.7 million (US) has been advanced. This money has been distributed to members of the local communities by a committee created by the government to administer the distribution of compensation. Half of the loan (\$2.2 million (US)) is repayable not later than 2010 and is secured by Centerra common shares held by Kyrgyzaltyn. The balance will be forgiven in 2012, provided that the government does not default on its obligations in the Investment Agreement. The Agreement on New Terms provides that entire amount of \$4.4 million (US) will be forgiven by Centerra.

Decommissioning and Reclamation

Upon the completion of mining and milling at Kumtor (subject to extending Centerra's rights to mine other areas as provided under the Concession Agreement), all immovable infrastructure will become the property of the government of the Kyrgyz Republic. This includes the roads, buildings, accommodations and any other related facilities but does not include operating machinery.

A decommissioning plan was developed as required by the EMAP. The decommissioning plan covers all aspects of the mining project including the open pit, mill complex, tailings basin, stockpiles and other surface facilities. Equipment, buildings and other structures will be salvaged to the extent possible. All areas will be contoured to fit the natural terrain. The open pit will be left to fill with water and the tailings will be covered.

Under the EMAP, Centerra is required to update a Conceptual Closure Plan ("CCP") every three years. This approach allows for the development and adaptation of the CCP, provides a period for testing and monitoring of several years to evaluate the various options contemplated by the CCP, and is followed by the development of a Final Closure Plan closer to the end of mine life that will consider the results of the testing and monitoring as well as any changes to the environmental, regulatory and social environment that may have occurred over the life of the mine.

In 1999, Centerra's future decommissioning and reclamation costs for the Kumtor mine were estimated to be approximately \$20.3 million (US). Any realized salvage value from the sale of plant machinery and equipment and other moveable assets after mining operations have ceased would be available to be applied against final reclamation costs, together with funds from the recovery of working capital. In 2004, a revised and more detailed conceptual decommissioning and reclamation plan was developed that estimated total costs of \$21 million (US). In 2007, a revised conceptual closure plan was initiated and is planned to be completed in 2008. This is necessary due to the extension of the mine life and addition of new equipment to the mine and mill operations.

In 1998, a reclamation trust fund was established for the future costs of reclamation, net of estimated salvage values of \$14.9 million (US). In order to fund this amount, contributions are made to the fund over the life of the mine based on ounces of gold sold. At December 31, 2007, the balance in the fund was \$4.85 million (US).

Exploration Activities

Exploration expenditures at Kumtor were \$11.7 million (US) during 2007. Drilling programs were carried out in the vicinity of the open pit area to further evaluate the Kumtor ore body and consisted of 29 holes totalling 15,418 metres. A drilling program consisting of 27 holes totalling 3,077 metres was also completed at the Sarytor deposit, and a program of three holes totalling 527 metres at the Southwest Zone deposit, which are satellite deposits located about three to five kilometres from the Kumtor mill.

The 2007 exploration drilling program continued to test the strike and dip extensions of the Kumtor mineralized structure to the north of the highwall of the Central Pit. Additional drilling was also carried out to test the mineralized structures north of the Sarytor and Southwest Zone deposits and between the Sarytor and Southwest Zone deposits in 2007.

Regional drilling programs consisting of three holes totalling 788 metres was also carried out on the Bordoo target and a drilling program of 8 holes totaling 2,201 metres was completed on the Northeast target.

Further exploration programs are planned for 2008, with a budget of \$15 million (US) (not including \$14.0 million (US) allocated to underground exploration and development for 2008). Additional drilling programs will be completed in the vicinity of the Central Pit with a focus on testing strike and dip extensions to the mineralized horizons to the north of the Central Pit. Exploration programs will also continue in other target areas such as Bordoo, Akbel, Petrov and the Northeast target.

Boroo Mine

The Boroo open pit gold mine is located in Mongolia. The Boroo mill began the commissioning phase in November 2003 and the mine was brought into commercial production on March 1, 2004. In 2007, the Boroo mine produced about 255,000 ounces of gold. At year-end 2007, 111,000 ounces of contained gold have been added, before accounting for 297,000 ounces of reserves mined in 2007. The mineral reserve and resource estimates for Boroo are found below at *Centerra Gold Inc. – Reserves and Resources*.

Boroo has approximately 648 employees (excluding long term contractors). The proportion of Mongolian citizens in the permanent workforce is approximately 94%. In the first quarter of 2008, a collective agreement was reached with a newly formed union representing Boroo employees. It expires February 1, 2010.

In October 2007, Centerra completed the acquisition of the remaining indirect 5% minority interest in Boroo Gold Company (“BGC”), which holds the rights to the Boroo gold deposit.

The Boroo deposit is described in a NI 43-101 technical report dated May 13, 2004, which was prepared by Strathcona, and in Centerra’s prospectus dated June 22, 2004. The Boroo technical report and Centerra’s prospectus are available on SEDAR at www.sedar.com.

Minerals Law

Mongolian minerals legislation is principally governed by the Minerals Law of Mongolia (the “Minerals Law”). The Minerals Law provides that all mineral resources in the country are the property of the state and that the state, through its agency the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”), has the right to grant exploration and mining (exploitation) licenses. The body responsible for governing rights related to all minerals-related licenses is the MRPAM’s Office of Geological and Mining Cadastre (“OGMC”).

On July 8, 2006, the Mongolian Parliament enacted a new Minerals Law, which became effective as of August 26, 2006. The provisions of the Minerals Law apply to activities and relationships with respect to the exploration for and mining of all types of mineral resources other than water, petroleum and natural gas. The key legislative changes approved by the Mongolian Parliament are described below.

The amendments introduced a definition of strategic mineral deposits. Mineral deposits that have a potential impact on national security, economic and social development, or deposits that have a potential of producing above 5% of the country’s GDP may be designated as mineral deposits of strategic importance. Parliament may designate a deposit as a strategic deposit on its own initiative or by referral from the government. The amendments provide that the state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves. The percentage of the state’s share shall be determined by an agreement made with the license holder on exploitation of the deposit, considering the amount of investment made by the state. The state may take up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state’s budget. Under the new Minerals Law, a legal person duly formed and operating under the laws of Mongolia, who holds a mining license for a mineral deposit of strategic importance, is required to sell no less than 10% of its shares through the Mongolian Stock Exchange.

On February 6, 2007, Parliament designated the Boroo deposit as strategic, but resolved that the state would take no interest in Boroo on the basis that a stability agreement between BGC and the government, should continue to govern the Boroo deposit. This Stability Agreement has since been amended by the Amended Stability Agreement. See *Stability Agreement* below.

The new Minerals Law contains a new single-rate royalty for all metals of 5%. This doubles the 2.5% rate that previously applied to hard-rock gold.

The new Minerals Law also contemplates the entering into of investment agreements (formerly referred to as stability agreements) between the government and investors with respect to mineral properties. Investment agreements provide increased protection to investors making large, long-term commitments. Projects involving an investment of \$50 to \$100 million (US) will have 10-year terms; \$100 to \$300 million (US) projects will have 15-year terms; and projects involving more than \$300 million (US) will have 30-year terms.

Mineral exploration and mining licenses are granted to legal persons duly formed and operating under the laws of Mongolia who are Mongolian taxpayers. These entities may be foreign-owned. Under the new Minerals Law, the initial term of a mining license is 30 years and may be extended two times for a period of twenty years each. Existing license holders will be required to convert their licenses within five months to bring them in conformance with the periods specified by the new Minerals Law. The Minerals Law provides that the holder of an exploration license has an absolute right to obtain a mining license covering all or any portion of the exploration license area subject to the approval of the provincial governor. The holder of a mining license must prepare an environmental impact assessment and environmental protection plan either before or as soon as possible after receiving a license and must comply with certain reporting requirements to the OGMC.

In January 2008, the Mongolian Parliament established a working group to prepare draft amendments to the Minerals Law. In mid-March 2008, the cabinet of ministers approved draft amendments for submission to Parliament. Amendments were submitted to Parliament on March 25, 2008, but Parliament determined that it would defer consideration of the amendments until April 5, 2008.

Windfall Profits Tax

On May 14, 2006, the Mongolian Parliament passed a new law that imposes a windfall profits tax of 68% in respect of gold sales at a price in excess of \$500 (US) per ounce. The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as state participation in various mining projects.

The government has acknowledged that the windfall profits tax will not apply to Boroo for so long as the Amended Stability Agreement remains in effect. However, in discussions between the government and Centerra regarding an investment agreement in respect of the Gatsuurt project, the government has not yet agreed to provide similar status to the Gatsuurt project.

Stability Agreement

An initial stability agreement (the "Stability Agreement") was entered into by BGC and the Mongolian government in 1998. The Stability Agreement, which was amended in 2000, relates to BGC's operations at the Boroo gold deposit. Among other things, the Stability Agreement required BGC to invest at least \$25 million (US) in development of the deposit. Centerra has met this requirement. In return, the Mongolian government has guaranteed that Mongolian tax laws in effect in 1998 (when the initial Stability Agreement was signed) would apply to BGC's income from the project unless more favourable laws take effect and the Minister of Finance confirms that the more favourable laws apply. The initial Stability Agreement provided that the parties shall submit unsettled disputes regarding the project or the agreement to international arbitration.

On August 3, 2007, Centerra's subsidiary, BGC, entered into an amended stability agreement (the "Amended Stability Agreement") with the government of Mongolia. Pursuant to this agreement, effective January 1, 2007, the Boroo project will be subject to a 10% tax rate for taxable income up to 3.0 billion tugriks and a 25% rate for taxable income above that

amount, which will apply until the termination of the Amended Stability Agreement in July 2013. (Before January 1, 2007, BGC was exempt from income tax.) In addition, effective August 3, 2007, the mineral royalty payable will be 5% rather than the 2.5% previously applicable. The Amended Stability Agreement reaffirms the applicability of the initial Stability Agreement.

The Amended Stability Agreement currently applies only to the Boroo mine and does not apply to the Gatsuurt property.

Property Description and Location

The Boroo gold project is located in the Republic of Mongolia some 110 kilometres northwest of the capital city of Ulaanbaatar and about 230 kilometres to the south of the international boundary with Russia.

MRPAM has granted BGC exclusive rights to all hard-rock minerals and placer deposits under a number of contiguous mining licences centred on and surrounding the Boroo gold deposit. The licences expire between 2055 and 2064.

Surface rights have been obtained, providing sufficient surface area for the mill, and for tailings and waste rock disposal. Contracts are in place for the operation of the permanent camp, reagent storage, mining of aggregate materials, fuel storage, operation of a fuel dispensing station and the tailings dam. BGC must pay a 5% royalty on gold sales to the Mongolian government.

The Boroo mine site includes an open pit mine with waste and ore stockpile areas. Ore is processed at a crusher and mill with a capacity of 6,900 tonnes per day. There is a camp/residence for employees, a warehouse, maintenance shops and offices.

A permanent tailings facility in the Ikh Dashir River valley is connected to the process plant by a five-kilometre pipeline. The tailings storage facility is designed for no discharge, with all of the water being reclaimed for re-use in the mill. The design of the tailings facility provides an ultimate storage capacity of 11 million cubic meters of tailings, sufficient for the tonnage to be mined for the entire life of the mine. In 2007, Centerra constructed an extension to the original tailings dam. The tailings dam walls are at final design for the existing Boroo reserves.

Mining

The Boroo deposit is mined using conventional open pit mining methods and currently mines approximately 12,000 tonnes per day of ore and approximately 33,000 tonnes per day of waste. The strip ratio for the year ended December 31, 2007 was 2.5 to 1. The remaining life of mine strip ratio is expected to be 2.5 to 1. During 2007, mining occurred in Pits 3 and 6. Mining is done with bench heights of five metres, with ore mined on half-benches for improved grade control in the flat lying ore. Three to four benches are under development at any given time.

Milling

The mill is a standard layout that consists of crushing, grinding, gravity concentration, cyanide leaching and gold recovery in a CIL circuit.

The mill was designed with a capacity to process 1.8 million tonnes of ore per year but the actual mill throughput is currently 2.5 million tonnes per year. The gravity circuit recovers about 30% to 50% of the gold contained in the ore and the overall gold recovery has been 92% in the first two years in accordance with the expectations based on the metallurgical test work, but has since decreased to 79% due to processing of marginally refractory ore from Pit 5 since 2006.

BGC is proceeding to construct a \$20 million (US) heap leach facility. The facility will have a 3 million annual tonne capacity. The heap leach project is now expected to process ore containing approximately 528,000 ounces of contained gold over the six-year life of the heap leach project from 17.7 million tonnes of ore (which includes 1.4 million tonnes for Gatsuurt) with an estimated average grade of 0.93 grams of gold per tonne. This total includes an additional 211,000 ounces of contained gold at an average grade of 0.68 grams of gold per tonne that was classified as probable reserves as a

result of changing the cut-off grade to 0.2 grams of gold per tonne using the 2006 year-end resource model. Centerra expects the project to be mechanically and electrically completed in March 2008; however, solution application will not commence until permitting is completed.

Gold Sales

All gold doré produced by the Boroo mine is currently exported and refined under a contract with Johnson Matthey Limited ("JM"). The gold is delivered to a carrier appointed by JM at the minesite and JM assumes the risk relating to security and transport and responsibility for insurance from that point to the JM refinery in Ontario. Under the contract BGC may elect to take physical delivery of the refined gold or to sell it to JM, receiving up to 95% of its estimated value based on mine-site assays within five working days of delivery to the refinery, with the balance following agreement on assays.

Environmental, Health and Safety Matters

BGC has the necessary environmental permits and licences for the Boroo mine. Boroo's Environmental Impact Assessment has been amended to reflect changes to operations, and its Environmental Monitoring and Protection Plans have been approved by the Mongolian government as required on annual basis. Licences for the import, storage, use and disposal of reagents and chemicals are in place and include permits for the import, transport, use and on-site storage of cyanide.

BGC is updating its Environment Management System to address the impacts of the Boroo operation on the environment and to monitor compliance with all legal requirements. The system provides scheduled monitoring, engineering controls and reporting on the tailings management facility, the mill, the mine and waste rock stockpiles. Specific programs that monitor environmental impacts include testing for acid generation potential, dust control, investigating and reporting spill incidents on-site and off-site, hazardous material handling, planning for site decommissioning and rehabilitation, monitoring the potable water treatment system and sewage treatment and operation of the landfill.

Decommissioning and Reclamation

In 2006, an updated preliminary closure plan has been prepared for the Boroo mine and submitted to the relevant government authorities. In addition to meeting the Mongolian regulatory requirements, the plan includes reference to international practices pertaining to closure of mining operations. The estimated undiscounted cost of decommissioning and reclamation for the Boroo mine is \$6.4 million (US). Funds for mine closure are accrued on an ongoing basis, and a portion of the annual environmental management budget has been deposited with the relevant authorities in accordance with prevailing laws. A review of the preliminary mine closure plan was undertaken in 2007 and, with the addition of the heap leach project, the estimated cost has risen to \$7.3 million (US). A more detailed closure and reclamation plan is expected to be developed in 2008.

Gatsuurt Development Property

Centerra has a 100% indirect interest in the mining and exploration licences for the Gatsuurt development property, situated 35 kilometres from the Boroo project. The Gatsuurt exploration property covers 2,236 hectares. The mineral reserve and resource estimates for Gatsuurt are found below at *Centerra Gold Inc. — Reserves and Resources*.

Centerra expects to be engaged in negotiations in 2008 with the Mongolian government regarding an investment agreement for Gatsuurt. Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that Parliament could designate it as a strategic deposit and take up to a 34% interest in it. In addition, Gatsuurt might be subject to the new Mongolian windfall profits tax. In light of these risks, in March 2007 Centerra suspended further development of the property (other than those necessary to maintain the property in good standing and comply with permits) pending completion of negotiations of an investment agreement with the Mongolian government. Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim, Centerra expects to begin the development of Gatsuurt. (See Note 25 of the Consolidated Financial Statements for the fiscal year ending December 31, 2007 for a discussion of the Gatsuurt LLC claim).

Development of Gatsuurt would take place in two stages. The first stage is budgeted at \$20 million (US) and is to construct the 54 kilometre access road, mine facilities at Gatsuurt, expand the camp at Boroo and provide the required mobile mining equipment. The second stage is budgeted for \$55 million (US) and is to prepare detailed engineering. Procurement and construction is scheduled to begin thereafter. This stage will modify the Boroo plant to process the Gatsuurt sulphide ore. However, material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project and may lead to a reclassification of reserves.

A NI 43-101 technical report dated May 9, 2006 for the Gatsuurt deposit was filed by Centerra and is available on SEDAR at www.sedar.com.

Reserves and Resources

The disclosure in this Annual Information Form of a scientific or technical nature for Kumtor is based on the Kumtor Technical Report, which was prepared under the supervision of Strathcona as of March 28, 2008, and was written by Henrik Thalenhorst, P. Geo. of Strathcona and Iain Bruce, P. Eng. of BGC Engineering Inc., each of whom is independent of Cameco and a "qualified person" for purposes of NI 43-101, and Dan Redmond, P. Geo., a qualified person and an employee of Centerra. The reserve and resource estimates for the Kumtor mineral property were prepared under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President of Exploration, who is a qualified person.

To the knowledge of Cameco, these qualified persons as a group beneficially own, directly or indirectly, less than 1% of the issued and outstanding common shares of Cameco.

The following table shows the estimated gold reserves and resources as at December 31, 2007 on a property basis and Cameco's share, which is referred to as Cameco's equity. Cameco's equity or share amounts to 52.7% of Centerra's share of the reserves and resources of the properties. Upon the completion of the Agreement on New Terms with the Kyrgyz Government and the issuance of 10 million treasury shares of Centerra to Cameco, Cameco would own approximately 41% of Centerra.

Cameco reports all its mineral reserves as a quantity of contained ore supporting the mining plans and includes an estimate of the metallurgical recovery for each of its properties. Metallurgical recovery is a term used in the mining industry to indicate the proportion of valuable material physically recovered by the metallurgical extraction process. The estimated recoverable amount of a commodity is obtained by multiplying the reserves "Content" by the "Estimated Metallurgical Recovery Percentage". The amount of reported resources does not include those amounts identified as reserves.

Cautionary Note to Investors concerning estimates of Measured and Indicated Resources:

This section uses the terms "measured resources" and "indicated resources". US investors are advised that while those terms are recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposit in these categories will ever be converted into proven and probable reserves.

Cautionary Note to Investors concerning estimates of Inferred Resources:

This section uses the term "inferred resources". US investors are advised that while this term is recognized and required by Canadian securities regulatory authorities, the US Securities and Exchange Commission does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource will ever be upgraded to a higher category. Under Canadian securities regulations, estimates of inferred resources may not form the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that part or all of an inferred resource exists or is economically or legally mineable.

Reserves ⁽¹⁾ (Tonnes and Ounces in Thousands) ⁽¹⁾⁽¹²⁾												
Property	Proven (100% Basis)			Probable (100% Basis)			Total Proven and Probable Reserves					
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Cameco Equity (oz) ⁽³⁾	Estimated Metallurgical Recovery %	Mining Method ⁽⁴⁾
Kumtor ⁽⁶⁾	9,888	3.8	1,223	28,546	4.0	3,679	38,434	4.0	4,902	2,582	82%	OP
Boroo	3,684	2.5	291	20,405	1.2	757	24,089	1.4	1,048	552	80%	OP
Gatsuurt	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	529	90%	OP
Total ⁽¹²⁾	13,572	3.5	1,514	58,052	2.9	5,441	71,624	3.0	6,955	3,663		

Measured and Indicated Resources ⁽²⁾ (Tonnes and Ounces in Thousands) ⁽¹⁾⁽¹²⁾												
Property	Measured (100% Basis)			Indicated (100% Basis)			Total Measured and Indicated Resources					
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Cameco Equity (oz) ⁽³⁾	Mining Method ⁽⁴⁾	
Kumtor ⁽⁵⁾⁽⁶⁾	18,770	3.2	1,931	19,323	2.8	1,741	38,093	3.0	3,672	1,934	OP	
Boroo ⁽⁵⁾⁽⁸⁾	452	2.0	29	5,016	1.4	225	5,468	1.4	254	134	OP	
Gatsuurt ⁽⁹⁾	-	-	-	6,238	3.0	607	6,238	3.0	607	320	OP	
REN ⁽¹⁰⁾	-	-	-	2,991	12.7	1,220	2,991	12.7	1,220	404	UG	
Total	19,222	3.2	1,960	33,568	3.5	3,793	52,790	3.4	5,753	2,792		

Inferred Resources (100% Basis) ⁽²⁾ (Tonnes and Ounces in Thousands) ⁽¹⁾⁽¹²⁾					
Property	Inferred			Cameco Equity (oz) ⁽³⁾	Mining Method ⁽⁴⁾
	Tonnes	Grade (g/t)	Contained Gold (oz)		
Kumtor ⁽⁵⁾⁽⁶⁾	778	1.8	46	24	OP
Kumtor SB Underground ⁽⁷⁾	2,796	20.0	1,797	947	UG
Boroo ⁽⁵⁾⁽⁸⁾	7,723	1.0	239	126	OP
Gatsuurt ⁽⁹⁾	2,437	3.3	256	135	OP
REN ⁽¹⁰⁾	835	16.1	432	143	UG
Total	14,569	6.0	2,770	1,375	

Notes:

- For the purpose of estimating mineral reserves in accordance with National Instrument 43-101 of the Canadian securities regulatory authorities and in accordance with US Securities and Exchange Commission Industry Guide 7, reserves have been estimated with cut-off grades based on a gold price of \$550 (US) per ounce.
- Mineral resources are in addition to mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.
- Cameco's equity interest amounts to 52.7% of Centerra's equity interest of reserves and resources for the properties. Centerra's equity interests for the properties are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%. Upon the completion of the Agreement on New Terms with the Kyrgyz Government and the issuance of 10 million treasury shares of Centerra to Cameco, Cameco would own approximately 41% of Centerra.
- "OP" means open pit and "UG" means underground.
- Open pit mineral resources occur outside the current pits, which have been designed using a gold price of \$550 (US) per ounce.
- The open pit mineral reserves and resources at Kumtor are estimated based on a cut-off grade of 1.0 grams of gold per tonne and include the Central Pit and the Southwest and Sarytor deposits. Except for the potential risks posed by the geotechnical issues described under the heading "Kumtor Mine - Mining Operations - Geotechnical Issues Affecting the Kumtor Pit" and the political risks pertaining to Kyrgyz Republic described under "Risk Factors", there are no currently known environmental, permitting, legal, title, taxation socio-economic, marketing, political or other relevant issues that might materially affect the estimate of Kumtor mineral reserves.
- Underground mineral resources occur below the Central Pit shell and are estimated based on a cut-off grade of 7.0 grams of gold per tonne.
- The mineral reserves and resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated recovery. The cut-off grades range from 0.2 to 0.8 grams of gold per tonne.
- The mineral reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cut-off grade depending on the type of material and the associated recovery.
- The mineral resources at REN are estimated based on a cut-off grade of 8.0 grams of gold per tonne.
- A conversion factor of 31.10348 grams of gold per ounce is used in the mineral reserve and resource estimates.
- Numbers may not add up due to rounding.

Gold Reserves and Resources Reconciliation

The following reconciliation of Cameco's share of gold mineral reserves and resources reflects the changes in gold reserves and resources during 2007. Changes in mineral reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model and changes to operating costs. The additions to mineral reserves and resources during 2007 at Kumtor are attributable to a lower-cut off grade and changes to pit design. The changes in mineral reserves and resources at Boroo in 2007 are due to a slight increase in the size of the pit design. The mineral reserves at Gatsuert are unchanged as the benefit of increased gold price was offset by increases in the estimated operating costs and royalties.

Reconciliation of Cameco's Share of Gold Reserves and Resources ⁽¹⁾ (in troy ounces of contained gold)

	December 31, 2006	2007 Throughput ⁽²⁾	2007 Addition (Deletion) ⁽³⁾	December 31, 2007
Reserves – Proven				
Boroo	225,000	(156,000)	84,000	153,000
Gatsuert	0	0	0	0
Kumtor ⁽⁴⁾	997,000	(222,000)	(132,000)	643,000
REN	0	0	0	0
Total Proven Reserves	1,222,000	(378,000)	(48,000)	796,000
Reserves – Probable				
Boroo	393,000	0	6,000	399,000
Gatsuert	530,000	0	(1,000)	529,000
Kumtor ⁽⁴⁾	1,503,000	0	436,000	1,939,000
REN	0	0	0	0
Total Probable Reserves	2,426,000	0	441,000	2,867,000
Total Proven and Probable Reserves	3,648,000	378,000	393,000	3,663,000
Resources – Measured				
Boroo	22,000	0	(7,000)	15,000
Gatsuert ⁽⁶⁾	0	0	0	0
Kumtor ⁽⁵⁾	1,035,000	0	(18,000)	1,017,000
REN	0	0	0	0
Total Measured Resources	1,057,000	0	(25,000)	1,032,000
Resources – Indicated				
Boroo	120,000	0	(2,000)	118,000
Gatsuert ⁽⁶⁾	320,000	0	0	320,000
Kumtor ⁽⁵⁾	810,000	0	107,000	917,000
REN	399,000	0	5,000	404,000
Total Indicated Resources	1,649,000	0	110,000	1,759,000
Total Measured and Indicated Resources	2,706,000	0	85,000	2,791,000
Resources – Inferred				
Boroo	120,000	0	6,000	126,000
Gatsuert ⁽⁶⁾	135,000	0	0	135,000
Kumtor ⁽⁵⁾	985,000	0	(14,000)	971,000
REN	141,000	0	2,000	143,000
Total Inferred Resources	1,381,000	0	(6,000)	1,375,000

Notes:

1. Cameco reports mineral reserves and mineral resources separately. The amount of reported mineral resources does not include those amounts identified as mineral reserves.
2. Corresponds to mill feed. The discrepancy between the 2007 mill feed and Cameco's share of 2007 ounces produced is due to mill recovery.
3. Changes in mineral reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of mineral reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs.
4. Kumtor mineral reserves include the Central Pit and the Southwest and Sarytor deposits.
5. Kumtor mineral resources include the Central Pit, the SB underground, and the Southwest and Sarytor deposits.
6. Gatsuert mineral reserves and resources include the Central Zone and Main Zone deposits.

Centerra Commitments and Contractual Obligations

Exchange Agreements with IFC and EBRD

Each of International Finance Corporation (“IFC”) and European Bank for Reconstruction and Development (“EBRD”) made subordinated loans to KGC in the amount of \$10 million (US), the proceeds of which were used in the construction of the Kumtor mine. The repayment of these loans was scheduled to begin in December 2005, but IFC and EBRD had the right to delay the final repayment of the loans until 2013. The calculation of interest payments due under the loans was dependent on the performance of the Kumtor mine.

Centerra entered into agreements with each of IFC and EBRD (the “Agency Exchange Agreements”) pursuant to which, in exchange for their assigning to Centerra the benefit of the subordinated loans, Centerra issued to each of IFC and EBRD 1,530,606 common shares and made cash payment to each of \$9.5 million on June 30, 2004.

In connection with this exchange, Centerra has agreed separately with IFC and EBRD that, as long as each holds more than 10% of the number of Centerra’s common shares issued to it in connection with the exchange, it will: (i) maintain a sustainable development policy; (ii) allow representatives of IFC and EBRD to visit Centerra’s Kumtor and Boroov operations each year, (iii) perform an environmental assessment in connection with all proposed new projects and developments in accordance with the applicable World Bank policy in effect as of the date of the Agency Exchange Agreements and to operate such new projects and developments in accordance with mine and operating plans that seek to limit the environmental impact of the operations and protect human health and safety in accordance with good international mining practices and applicable laws and World Bank guidelines in effect as of the date of the Agency Exchange Agreements; and (iv) conduct its Kumtor operations in accordance with good international mining practices, including the most stringent of (a) the standards applicable to the Kumtor mine under the EMAP and (b) the environmental laws of the Kyrgyz Republic, Canada and Saskatchewan in effect from time to time.

To Centerra’s knowledge, EBRD holds 50% of the Centerra common shares it was issued pursuant to its Agency Exchange Agreement and IFC no longer holds any Centerra common shares.

Political Risk Insurance Rights Plan

As a prerequisite to acquiring political risk insurance for Centerra’s Kumtor mining operations, Centerra adopted an insurance risk rights plan. The plan will be applied if an event occurs relating to KGC or its assets or operations at a time when Kyrgyzaltyn is controlled by the government of the Kyrgyz Republic and the event is caused by that government and results in a payment to Centerra under the political risk insurance coverage. In this event, the following will occur:

- each holder of Centerra common shares will be entitled to exchange its shares for Centerra Class A non-voting shares;
- Kyrgyzaltyn has irrevocably elected to exchange all of its common shares for Class A non-voting shares and it is expected that no other shareholders would elect to do this;
- the holders of Centerra common shares (but not Class A non-voting shares) will be entitled to acquire additional common shares for \$0.01 per share, with the aggregate number of common shares available to be determined by a formula designed to provide for the holders of Class A non-voting shares to be diluted by an amount that approximates the proceeds received under the political risk insurance; and
- following the exercise of the rights to acquire additional shares by Centerra common shareholders, the Class A non-voting shares will convert back into Centerra common shares.

Centerra Shareholders Agreement

In connection with the Kumtor restructuring Centerra entered into a shareholders agreement with Cameco Gold Inc. (“CGI”), a wholly-owned Cameco subsidiary, and Kyrgyzaltyn (the “Shareholders Agreement”) governing certain

matters related to their ownership of common shares of Centerra. The Shareholders Agreement provides for each of Kyrgyzaltyn and CGI to meet from time to time, not less frequently than annually, to consider the disposition of the common shares held by them. Despite this agreement to consult, each of Kyrgyzaltyn and CGI may at any time initiate a further distribution of Centerra's common shares. Also, if Centerra proposes to issue any of its common shares by private placement or public offering, Centerra will provide CGI and Kyrgyzaltyn with an opportunity to sell their shares as part of the offering provided that Centerra's reasonable capital needs take priority.

For a period of five years following the date of the closing of the Kumtor restructuring, for so long as Kyrgyzaltyn is controlled, directly or indirectly, by the government of the Kyrgyz Republic, Kyrgyzaltyn or its affiliates have agreed to maintain registered and beneficial ownership of at least 5% of the outstanding common shares at the time of the closing of the Kumtor restructuring, except in the case of certain permitted takeover bids and subject to appropriate anti-dilution adjustments, as determined from time to time by Centerra's board of directors. In addition, Kyrgyzaltyn has agreed not to sell, transfer or encumber any of its shares during any period during which the Kyrgyz government is in default of its obligations under the principal agreements relating to the Kumtor restructuring. Kyrgyzaltyn's shares are held in escrow to ensure compliance with these transfer restrictions. As at March 28, 2008, Kyrgyzaltyn had 33,869,151 common shares held in escrow, representing 15.7% of Centerra's issued and outstanding common shares.

The Shareholders Agreement also addresses the voting by CGI and Kyrgyzaltyn of their shares for their respective nominees to Centerra's board.

Location Agreement

On April 22, 2004, Cameco entered into an agreement with Centerra which provides that Centerra will not carry on business in Canada by owning, acquiring, exploring, developing or mining mineral properties located in Canada (the "Location Agreement"). The Location Agreement will terminate and the prohibition will end once Centerra ceases to be a subsidiary of Cameco under applicable corporate law.

Administrative Services Agreement

Centerra has entered into a services agreement with Cameco pursuant to which Cameco has agreed to provide certain services and expertise to Centerra in return for reimbursement of all its direct or indirect costs relating to such services. Beginning in the 2006 fiscal year, Cameco ceased providing a number of these services to Centerra, including accounting services.

Additional Information on Centerra

Centerra is listed and publicly traded on the Toronto Stock Exchange. It is required to file with Canadian securities regulators its continuous disclosure documents on SEDAR, which documents are available to the public at www.sedar.com. As such, additional information on Centerra's properties, operations, financial results, financial positions and the risk factors associated with its operations can be found in its most recent annual and interim financial statements and management's discussion and analysis, annual information form, material change reports and press releases available through SEDAR (www.sedar.com).

RISK FACTORS

The businesses in which Cameco participates are subject to certain risks. The risks described below are not the only risks facing Cameco and other risks now unknown to Cameco may arise or risks now thought to be immaterial may become material. Some of the risks described below are only applicable to certain of Cameco's business interests, while others are generally applicable. No guarantee is provided that other factors will not affect the Company in the future. This discussion of risks should be read in conjunction with the discussion of risks in Cameco's 2007 MD&A. In addition, Cameco discloses statements and information which are neither about the present nor historical facts, and therefore are forward-looking. This forward-looking information is based upon a number of assumptions which may prove to be incorrect and there are material risk factors that cause results to differ materially, including the risks described below. (See Caution Regarding Forward-Looking Information and Statements.) As the context requires for the

following information, reference to the Company or Cameco also includes Cameco's direct and indirect subsidiaries, including Centerra.

Risks Relating to Cameco and Centerra Generally

Cameco and Centerra are subject to a number of operational risks and Cameco and Centerra may not be adequately insured for certain risks

Cameco's and Centerra's businesses are subject to a number of risks and hazards, including environmental pollution, accidents or spills (including hazardous emissions from Cameco's Port Hope conversion facilities such as a UF₆ release or a leak of anhydrous hydrogen fluoride used in the UF₆ conversion process); industrial and transportation accidents, which may involve radioactive or hazardous materials; labour disputes; catastrophic accidents; fires; availability of reagents and supplies critical to production (including the availability of acid for Joint Venture Inkai's operations in Kazakhstan); blockades or other acts of social or political activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings pipeline and dam failures and cave-ins; encountering unusual or unexpected geological or hydrological conditions; and technological failure of mining methods. Cameco also contracts for the transport of its uranium and uranium products to refining, conversion, fuel manufacturing, enrichment and nuclear generation facilities in North America and Europe, as well as processing facilities in Kazakhstan, which exposes the Company to transportation risks.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Centerra's gold properties and Cameco's uranium properties and refining, conversion and fuel manufacturing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from Centerra's and Cameco's mines and mills or Cameco's refining, conversion and fuel manufacturing facilities or in Centerra's and Cameco's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Although Cameco and Centerra maintain insurance to cover some of these risks and hazards in amounts Cameco and Centerra believe to be reasonable, subject to applicable deductibles, this insurance may not provide adequate coverage in all circumstances. No assurance can be given that Cameco's and Centerra's insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Also, Cameco and Centerra may be subject to liability or sustain losses in relation to certain risks and hazards against which Cameco and Centerra cannot insure or which Cameco and Centerra may elect not to insure because of the cost. This lack of insurance coverage could have a material adverse impact on Cameco's and Centerra's future cash flows, earnings, results of operations and financial condition.

Governmental Regulation and Policy Risks

Cameco's operations and exploration activities, particularly uranium mining, refining, conversion, fuel manufacturing 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, decommissioning and reclamation, safety, toxic substances, transportation, 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. Since legal requirements change frequently, are subject to interpretation and may be enforced in varying degrees in practice, 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 and practices, such as those affecting the Company's mining operations, uranium refining, conversion and fuel manufacturing 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 and operation of mines and other 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 aboriginal groups 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 impact on the Company.

Political Risk

Cameco's Inkai project is located in the Republic of Kazakhstan. All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia. These three countries are developing countries. The Kyrgyz Republic and Mongolia have experienced political and economic difficulties in recent years. A revolution in March 2005 in the Kyrgyz Republic resulted in the ouster of the long-time incumbent President. Although the election of a new President has brought a measure of stability to the Kyrgyz Republic following the events of March 2005, the political situation continues to evolve. There continues to be a risk of future political instability. The government resigned in late 2006, the Parliament was dissolved in October 2007 and a new Parliament elected in December 2007. There continues to be a risk of future political instability in the Kyrgyz Republic. (For a discussion of the recent political unrest in the Kyrgyz Republic and other matters related to Kyrgyz political risk see *Centerra Gold Inc. - Kumtor Mine - Government and Political Factors* above).

Cameco's Inkai project and Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment and the mining business in each of these countries. Operations may also be affected in varying degrees by civil unrest, terrorism, military conflict or repression, crime, corruption, extreme fluctuations in currency rates and inflation in Central Asia and the former Soviet Union. There is also a risk of terrorism in North America, Europe and elsewhere in the world.

The relevant governments have entered into contracts with Cameco and Centerra or granted permits or concessions that enable them to conduct operations or development and exploration activities. Notwithstanding these arrangements, their ability to conduct operations or exploration and development activities is subject to renewal of permits or concessions, changes in government regulations or shifts in political attitudes over which they have no control.

In 2007, amendments to the Subsoil Law took effect in Kazakhstan, which expands the ability of the government to re-open subsoil use agreements in certain circumstances. It is perceived these amendments were passed in connection with a dispute between the Kazakh government and companies that are a party to the 1997 North Caspian Production Sharing Agreement. Although Cameco believes that the amendments will not be applied to uranium projects in Kazakhstan, there can be no assurance that they will not be. The amendments have raised the risk profile of natural resource projects in Kazakhstan. (See Development Projects - Inkai - *Legal and Regulatory Environment in the Republic of Kazakhstan*.)

In February 2007, Prime Minister Isabekov of the Kyrgyz Republic invited Cameco to discuss a number of issues concerning Kumtor. Based upon this invitation, Cameco and Centerra entered into negotiations with the government of Kyrgyz Republic to address the government's concerns about the agreements entered into in connection with the 2004 Kumtor restructuring, as well as to stabilize further the operational environment for the Kumtor project. In August 2007, Cameco and Centerra signed the binding Agreement on New Terms with the government of the Kyrgyz Republic that provides for the government's full commitment to and support for Centerra's continuing a long-term development of the

Kumtor project. The Agreement on New Terms is subject to a number of conditions, including approval by the Parliament of the Kyrgyz Republic. Parliament was dismissed on October 22, 2007 before its scheduled final vote on the Agreement New Terms. The parties have agreed to extend the deadline for closing the Agreement on New Terms from October 31, 2007 to February 15, 2008 and now to April 30, 2008. There can be no assurance that parliamentary approval will be received or that the other conditions will be satisfied. If the issues between Cameco and the government of the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Cameco's investment in Centerra may increase significantly.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment, renationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that Cameco's or Centerra's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would be effective to restore the value of Cameco's or Centerra's original investment or to fully compensate Cameco or Centerra for the loss of the investment. Similarly, Cameco's and Centerra's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements Cameco and Centerra have with the governments of these countries, including the Investment Agreement and the Amended Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Cameco and Centerra have made an assessment of the political risk associated with each of its foreign investments and maintain political risk insurance to mitigate losses as deemed appropriate. However, Centerra's political risk coverage provides that on a change of control of Centerra the insurers have the right to terminate the coverage. If that were to happen, there can be no assurance that the political risk insurance will continue to be available on reasonable terms. Cameco will cease to control Centerra following completion of the transactions contemplated in the Agreement on New Terms. Centerra's insurers have waived the right to terminate coverage under those circumstances. Furthermore, there can be no assurance that the insurance would continue to be available at any time or that particular losses Cameco or Centerra may suffer with respect to its foreign investments will be covered by the insurance. These losses could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Cameco and Centerra may experience difficulties with their joint venture partners.

Cameco operates McArthur River mine and Cigar Lake and Inkai development projects through joint ventures with other companies and have entered into a number of other joint ventures. Centerra operates the REN project through a joint venture with another company. Both Cameco and Centerra may in the future enter into additional joint ventures. Both companies are subject to the risks normally associated with the conduct of joint ventures. These risks include disagreement with a joint venture partner on how to develop, operate and finance a project, and compliance by Cameco and Centerra with the operating requirements in joint venture agreements, and possible litigation between the joint venture partners regarding joint venture matters. These matters may result in material legal liability or may have an adverse effect on Cameco's and Centerra's ability to pursue the projects subject to the joint venture, either of which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Tailings Capacity Constraints

At the Key Lake mill, tailings from processing McArthur River ore are deposited in the Deilmann tailings management facility (DTMF). The currently approved capacity of the DTMF is sufficient to operate at current production rates for approximately six years, assuming only minor storage capacity losses due to sloughing (or erosion) from the pit walls. Cameco has initiated the necessary work in two stages to obtain regulatory approval for a final higher tailings elevation

that will be sufficient to hold all tailings generated from processing of McArthur River reserves. This first stage will involve the provision of technical analysis which is expected to result in approximately four years of additional capacity. The second stage will involve an additional environmental assessment process. Cameco has performed several studies to better understand the pitwall sloughing mechanism and has initiated engineering work to design and build mitigation measures for prevention of sloughing. Sloughing has occurred at the past at the DTMF resulting in the loss of approved capacity. Although the situation has recently stabilized, there is a risk of further sloughing at the DTMF.

At Rabbit Lake, the existing approved tailings capacity at the Rabbit Lake in-pit tailings management facility (RLITMF) is sufficient to store tailings from the processing of Eagle Point ore until the end of 2010. Cigar Lake ore will be processed at AREVA's McClean Lake mill into a uranium solution. Under the Rabbit Lake toll milling agreement, about 57% of the uranium solution will be shipped to the Rabbit Lake mill and further processed into U₃O₈. This process will generate tailings at Rabbit Lake. Although there was sufficient capacity for Cigar Lake tailings in the RLITMF when the Rabbit Lake toll-milling agreement was originally signed, unanticipated ongoing production from the Eagle Point mine due to mine life extensions has consumed some of the existing tailings capacity planned for Cigar Lake tailings. The EA for processing of Cigar Lake uranium solution at Rabbit Lake includes an assessment of an increased tailings capacity achieved through expansion of the pit footprint and by raising the final tailings elevation. Regulatory approval of this EA will provide sufficient capacity to contain Eagle Point tailings until the end of 2011, depending upon ore grades and milling rates, and all of Phase 1 Cigar Lake uranium solution tailings (approximately 13 years of production.)

Failure to maintain existing tailings capacity at the DTMF and RLITMF due to sloughing or other causes or failure to obtain or delay in obtaining regulatory approval for a new tailing management facility or to expand existing tailing capacity at the DTMF or RLITMF could constrain uranium production, which could have a material adverse impact upon Cameco.

The tailings dam crest at Kumtor is presently at elevation 3,658 metres and only has capacity to store tailings until the end of 2008. Permits have been received to raise the tailings dam by three metres, which will allow continuation of the use of the facility to the end of 2010. Another three metres of additional dam height would extend the life of the facility to last to the end of the current reserves. If the initial planned raise of the tailings dam by three metres is not successfully completed on schedule by the end of 2008 or if all necessary permits and authorizations are not obtained, or all work is not successfully completed for a further raise of the tailings dam by an additional three metres by 2010, delays in, or interruptions or cessation of Centerra's gold production from Kumtor may occur, which could have a material adverse impact upon Cameco.

Labour Relations

Cameco has unionized employees at its McArthur River and Key Lake mining and milling operations and at its Port Hope conversion facilities and at Zircatec's fuel manufacturing facilities in Port Hope and Cobourg. The collective agreement for unionized employees at the McArthur River and Key Lake operations expires on December 31, 2009. A new collective agreement covering unionized employees at the Port Hope conversion facility was entered into during 2007, which expires in June 2010. A new collective agreement covering unionized employees at Zircatec's fuel manufacturing facilities was also entered into during 2007, which expires June 2009. Centerra's subsidiary, KOC, has a collective agreement covering unionized employees at the Kumtor mine, which expires in February 2009. An illegal work stoppage by unionized employees at Kumtor occurred in December 2006 in connection with negotiating the new collective agreement, which impacted mining operations. Centerra's subsidiary, BGC, has a collective agreement with a newly formed union at Boroo that expires February 1, 2010. Cameco cannot predict at this time whether new collective agreements will be reached with these or other employees without a work stoppage.

Any lengthy work interruptions could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

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 uranium price and gold price

assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, success of planned mining methods, 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 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, and the experience gained in use of a mining method.

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.

If Cameco's reserve or resource estimates for its uranium and gold properties are inaccurate or are reduced in the future, this could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Production Estimates may be inaccurate

Cameco prepares estimates of future production for particular operations. No assurance can be given that production estimates will be achieved. Expected future production estimates are inherently uncertain, particularly for periods extending beyond one year, and could materially change over time.

Uranium and gold 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; equipment and mechanical availability; labour availability; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; the accuracy of estimated rates and costs of mining and processing; the accuracy of assumptions about the success of mining plans and availability of tailings capacity; and the assumption of ongoing timely regulatory approvals where these are required. In addition, production estimates for McArthur River assumes the successful transition to new mining zones at McArthur River beginning in 2009.

Production estimates for uranium refining, conversion and fuel manufacturing are based on, among other things, the following factors: no disruption or reduction in supply from the Company's or third party sources; and the accuracy of estimated rates and costs of 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; mining and milling losses being greater than planned; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining, milling, uranium refining, conversion and fuel manufacturing; failure of mining methods and plans; lack of tailings capacity; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements and cave-ins; unexpected labour shortages or strikes; and significant interruption to production facilities due to fires, failure of critical equipment, or other unforeseen difficulties.

Failure to achieve production estimates could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Exploration and Development activities may not be successful

Exploration for and development of uranium properties and gold properties involve significant financial risks that 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 that 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, connecting to reliable infrastructure, developing metallurgical processes and extracting uranium and gold from ore. Cameco and Centerra cannot guarantee that their current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically.

Cameco's and Centerra's ability to sustain or increase their present levels of uranium and gold production, respectively, is dependent in part on the successful development of new ore bodies 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 volatile. 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. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Cameco and Centerra conduct feasibility studies that 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 ore body; ground and mining conditions; expected recovery rates of the uranium and gold 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 and Centerra'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. These additional costs could have a material adverse impact on Cameco's and Centerra's future cash flows, earnings, results of operations and financial condition.

Environmental, health and safety risk.

Cameco and Centerra expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of jurisdictions. The historical trend toward stricter laws is likely to 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 radiation risks uniquely associated with uranium mining, processing and fuel manufacturing. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining, milling, refining, conversion and fuel manufacturing sites and other environmental matters, each of which could have a material adverse effect on Cameco's and Centerra's operations or the cost or the viability of a particular project.

Cameco's and Centerra's facilities operate under various operating and environmental permits, licences and approvals that contain conditions that must be met and Cameco's and Centerra's right to continue operating their facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of Cameco's and Centerra's facilities or material fines or penalties, all of which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

In July 2007, contamination of the soil under the Port Hope UF₆ plant was discovered, and production of UF₆ was suspended to allow a comprehensive investigation. (For a discussion of this matter and related risks see *Uranium Fuel Conversion Services – Operations – Port Hope – Conversion*.) Approval by the CNSC staff is required to restart UF₆ production at Port Hope. There can be no assurance that such approval will be forthcoming or, if so, when such approval will be granted.

Cameco or Centerra may be unable to enforce its legal rights in certain circumstances.

In the event of a dispute arising at Cameco's or Centerra's foreign operations, Cameco and Centerra may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Cameco and Centerra may also be hindered or prevented from enforcing its rights with respect to a government entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provision of the Investment Agreement, the Amended Stability Agreement, the agreements related to Joint Venture Inkai, and HEU Commercial Agreement stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration.

If Cameco and Centerra are unable to enforce their rights under these agreements, this could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Properties may be subject to defects in title

Cameco and Centerra have investigated their rights to explore and exploit all of their material properties and, to the best of their knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to their detriment. There can also be no assurance that Cameco's and Centerra's rights will not be challenged or impugned by third parties, including the local governments, and in Canada, by First Nations and Métis. A third party has challenged Centerra's title to its Gatsuurt property (see *Centerra Gold Inc. - Gatsuurt Development Property* above).

The validity of unpatented mining claims on US public lands is sometimes uncertain and may be contested. Due to the extensive requirements and associated expense involved in obtaining and maintaining mining rights on US public lands, Centerra's interest in the REN property and Cameco's interest, held by subsidiaries, in its US ISR properties may be subject to various uncertainties that are common to the industry, with the attendant risk that its title may be defective or challenged.

Although Cameco and Centerra are not currently aware of any existing title uncertainties with respect to any of their material properties, other than with respect to First Nation and Métis claims in Saskatchewan and with respect to Centerra's Gatsuurt property as discussed in *Centerra Gold Inc. - Gatsuurt Development Property* above, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Counterparty/Credit Risk

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.

Cameco's sales of uranium product, conversion and fuel manufacturing 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, 2007, about 3% of Cameco's forecast revenue under contract, for the period 2008 to 2010, is with customers whose creditworthiness does not meet Cameco's standards for unsecured payment.

Cameco's purchase of uranium product and conversion services, such as under the HEU Commercial Agreement and Springfields toll-conversion agreement, exposes the Company to the risk of the supplier's failure to fulfill its delivery commitment. In October 2007, Tenex requested discussions with Cameco and its two partners regarding the pricing structure for the last few years of the remaining term of the HEU Commercial Agreement. Discussions have commenced

If such discussions are not successful, the risk that Tenex will not fulfill its contractual commitment to deliver uranium to Cameco may increase.

Although the Company seeks to manage its credit risk and purchase risk exposure, there can be no assurance that the Company will be successful in eliminating the potential material adverse impacts of such risks.

Currency Fluctuations

Cameco's earnings and cash flow may also be affected by fluctuations in the US/Canadian dollar exchange rate. Cameco's sales of uranium and conversion services are mostly denominated in US dollars, while the production costs of both are denominated primarily in Canadian dollars. Cameco's consolidated financial statements are expressed in Canadian dollars.

Centerra's consolidated financial statements are expressed in US dollars. Its sales of gold are denominated in US dollars. As part of the consolidation by Cameco of Centerra's financial results, the sales of gold are converted into Canadian dollars at prevailing exchange rates.

Fluctuations in exchange rates between the US dollar and the Canadian dollar may give rise to foreign exchange currency exposures, both favourable and unfavourable, which have materially impacted and may materially impact in the future Cameco's financial results. Although Cameco utilizes a hedging program to limit any adverse effects of foreign exchange rate fluctuations, there can be no assurance that such hedges have eliminated the potential material adverse impact of such fluctuations.

Asset-Backed Commercial Paper

In August 2007, the global credit markets, and particularly the market for asset-backed commercial paper ("ABCP"), experienced disruptions and liquidity problems. As a result, certain ABCP programs were unable to raise funds from new issuances and therefore were not able to refund maturing notes. The liquidity issues faced by the ABCP market may affect Cameco's liquidity and capital resources.

As at December 31, 2007, all of Cameco's investments in ABCP have been repaid to Cameco except for \$13 million invested in two Canadian market trusts: \$7.5 million in Apsley Trust, managed by Metcalf & Mansfield and \$5.5 million in Planet Trust, managed under Coventree Capital. Cameco has assessed the recoverability of these investments and determined that it is unlikely the full value will be recovered.

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. Beginning in 1996, Cameco 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 or renewal of an operating licence. As Cameco properties approach or go into decommissioning, further regulatory review of the detailed decommissioning plans may result in additional requirements, associated costs and 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. If Cameco is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Similarly at each of Centerra's mine sites, Centerra is required to establish a decommissioning and reclamation plan. The costs of performing the decommissioning and reclamation must be funded by Centerra's operations. These costs can be significant and are subject to change. Centerra cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Centerra is required to comply with significant additional regulations or if the

actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have a material adverse impact on Centerra's expected contribution to Cameco's financial results.

Accounting Policies

The accounting policies and methods utilized by Cameco (and by Centerra and other entities in which Cameco has an interest) determine how it reports its financial condition and results of operations, and they may require management of the Company to make estimates or rely on assumptions about matters that are inherently uncertain. Cameco's financial condition and results of operations are reported using accounting policies and methods prescribed by Canadian GAAP. In certain cases, Canadian GAAP allows accounting policies and methods to be selected from two or more alternatives, any of which might be reasonable, yet could result in Cameco reporting materially different amounts. Management of Cameco exercises judgement in selecting and applying accounting policies and methods to ensure that while Canadian GAAP compliant, they reflect management's best judgment of the most appropriate manner in which to record and report the Company's financial condition and results of operations. Significant accounting policies used in the preparation of Cameco's December 31, 2007 consolidated financial statements are described in Note 2 to such statements under the heading "Significant Accounting Policies".

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Key Personnel

The chief executive officer and senior officers of Cameco and Centerra are critical to their success. In the event of the departure of the chief executive officer or a senior officer, each of Cameco and Centerra believe that they will be successful in attracting and retaining qualified successors but there can be no assurance of such success. If either Cameco or Centerra is not successful in attracting and retaining qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Cameco's and Centerra's success depends on their ability to attract and retain qualified personnel.

Recruiting and retaining qualified personnel is critical to Cameco's and Centerra's success. The number of persons skilled in the acquisition, exploration, development and operation of mining properties and the operation of uranium, milling, refining, conversion and fuel manufacturing facilities is limited and competition for such persons is intense. As Cameco's and Centerra's business activity grows, they will require additional key financial, administrative, technical and operations staff. The Concession Agreement relating to Centerra's Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. It has been necessary to engage expatriate workers for Centerra's operations in Mongolia and, to a lesser extent, the Kyrgyz Republic because of the shortage of locally trained personnel. It is also necessary for Cameco to engage expatriate and local workers for the Inkai project in Kazakhstan. If Cameco or Centerra is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on Cameco's future cash flows, earnings, results of operations and financial condition.

Prospects may suffer due to enhanced competition for mineral acquisition opportunities.

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, Cameco and Centerra may be unable to acquire rights to exploit additional attractive mining properties on terms that Cameco and Centerra consider acceptable. Accordingly, there can be no assurance that the Company and Centerra will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. If Cameco and Centerra are not able to acquire such interests, this could have a material adverse impact on

Cameco's future cash flows, earnings, results of operations and financial condition. Even if they do acquire such interests, the resultant business arrangements may not ultimately prove beneficial to their businesses.

Risks relating to Nuclear Business

Volatility and Sensitivity to Prices

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-term 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; 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; production levels and costs of production; significant production interruptions or delays in expansion plans; and actions of investment and hedge funds in the uranium market.

The fluctuation of the prices of uranium and UF_6 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 U_3O_8 and UF_6 conversion services, as published by Trade Tech:

Spot Uranium Prices ⁽¹⁾

(US \$/lb of U_3O_8)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Spot										
High	11.80	10.90	9.40	9.50	10.20	14.40	20.50	36.50	72.00	135.00
Low	8.75	9.60	7.10	7.20	9.70	10.10	15.60	21.20	37.50	75.00

(1) Source: The Nuexco Exchange Value, published by TradeTech. Spot prices reflect the spot price for all uranium other than of CIS origin.

Range of Nuexco Spot UF_6 Conversion Values ⁽¹⁾

(US\$/kg U)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Spot										
High	5.10	3.85	3.25	5.25	5.25	6.50	9.00	12.00	11.75	11.75
Low	3.50	2.55	2.35	3.65	5.05	4.90	6.80	11.00	11.00	8.00

(1) Source: The Nuexco Conversion Value, 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.

Large flood at the McArthur River Mine, Cigar Lake Project, or Rabbit Lake Mine

On April 6, 2003, production at Cameco's McArthur River mine was temporarily suspended, as an increased water inflow from an area of collapsed rock in a new development area began to flood portions of the mine. The sandstone that overlays the basement rocks of the McArthur River deposit contains significant water, which is at hydrostatic pressure. Water flow into the mine area is generally prevented by ground freezing. There are technical challenges at McArthur River involving the groundwater and rock properties.

This incident resulted in a considerable shortfall in 2003 uranium production and a major setback to the development of new mining zones as revised mining plans were subsequently prepared and improved controls put in place to access the zone where the inflow occurred.

The Cigar Lake deposit has hydro-geological characteristics similar to McArthur River and as a result also has technical challenges involving groundwater and rock properties. In April 2006, the second shaft at Cigar Lake was flooded. This shaft was under development at the time and as a result it was not connected to the underground development area. Remediation is planned to take place primarily by ground freezing around the perimeter of the shaft that remains to be developed.

In October 2006, a second water inflow occurred at Cigar Lake, this time in an underground development area. The inflow occurred following a rock fall in an access tunnel that was being developed to a future production area. The magnitude of the inflow exceeded the installed pumping and water treatment capacity, flooding the existing underground excavations. The Company is proceeding with a phased remediation plan to dewater and restore the underground development areas. This water inflow has had many significant impacts upon Cameco, among others, including a significant delay in Cigar Lake production, an increase in capital costs, and requiring Cameco to give notice to many of its customers that it was declaring an interruption in planned supply.

In November 2007, Cameco announced that it had temporarily reduced underground activities at Rabbit Lake as a precautionary measure, due to an increase of water flow from a mining area at the same time as the capacity of the surface water-handling system was limited due to an equipment upgrade. In late December 2007, Rabbit Lake operations resumed normal mining activities, after site crews located and plugged the source of the water inflow.

There can be no guarantee against floods in the future at McArthur River, Cigar Lake or Rabbit Lake. A flood could result in a significant interruption of operations, and a loss of reserves and a material increase in costs. The consequences of a flood will depend on the magnitude, location, and timing of any such flood. If mining operations are interrupted or Cameco experiences a loss of reserves, this could have a material adverse impact on Cameco. Water inflows and floods are generally not insurable.

Technical Challenges

Due to the unique nature of the deposits at McArthur River and Cigar Lake, there are technical challenges at these deposits involving groundwater, rock properties, radiation protection, mining methods, ore-handling and transport. Failure to resolve any one of these technical challenges at McArthur River or Cigar Lake may have a material adverse impact on the Company.

Beginning in 2009, Cameco is transitioning to new mining zones at McArthur River which involves significant technical challenges. Failure or delay in overcoming these challenges may have a material adverse impact on the Company.

Replacement of Reserves

The McArthur River and Rabbit Lake mines are currently the Company's principal sources of mined uranium concentrates. Unless the Cigar Lake and Inkai deposits are placed into production or other reserves are identified, discovered or extensions to existing ore bodies are found, the Company's sources of mined uranium concentrates will decrease over time as reserves at these two mines are depleted, which could have a material adverse impact on Cameco. The reserves at Rabbit Lake's Eagle Point mine are expected to be depleted in 2012. 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 and Inkai deposits will be put into production, there can be no assurance that they will be.

Aboriginal Title and Consultation Issues

First Nations and Métis title claims, as well as related consultation issues, may affect the ability of Cameco to pursue exploration, development and mining at its Saskatchewan uranium producing properties (McArthur River and Rabbit Lake) and developmental property (Cigar Lake), as well as milling ore at Key Lake. Cameco has received formal demands from the English First River Nation and the Métis Nation of Saskatchewan to be consulted and accommodated with respect to development on aboriginal traditional lands, which is an expectation of all aboriginal groups in Northern Saskatchewan. Pursuant to historical treaties, First Nation bands in northern Saskatchewan ceded title to most traditional lands in northern Saskatchewan in exchange for treaty lands. However, First Nations in Saskatchewan continue to assert that their treaties are not an accurate record of their agreement with the Canadian government and that they did not cede title to the minerals when they ceded title to their traditional lands. First Nations have launched a lawsuit in Alberta making a similar claim that they did not cede title to the oil and natural gas rights when they ceded title to their traditional lands. A similar lawsuit could be brought by First Nations in Saskatchewan.

In addition, the English River First Nation has selected lands for Treaty Land Entitlement (TLE) designation that covers the mineral claims for the Millennium uranium deposit. Similarly, the Peter Ballantyne Cree has selected lands under the TLE process that cover portions of the mineral claims held by the Dawn Lake joint venture. The TLE process does not affect the rights of Cameco's mining joint ventures; however, it may have an impact on the surface rights and benefits ultimately negotiated as part of the development of the two uranium deposits. Cameco, as the operator of both affected joint ventures, is investigating the potential implications of the TLE issue.

Managing these issues is an integral part of exploration, development and mining in Canada and Cameco is committed to managing these issues effectively. However, in view of the legal and factual uncertainties, no assurance can be given that material adverse consequences will not arise in connection with First Nation and Métis title claims and related consultation issues as well as TLE land claims.

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. An accident at a nuclear reactor anywhere in the world could impact the continuing acceptance of nuclear energy and the future prospects for nuclear generation, which may have a material adverse impact on Cameco.

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 2008 through 2010, Cameco's five largest customers are anticipated to account for approximately 43% of the Company's contracted supply of U₃O₈. For the period 2008 through 2010, Cameco's five largest UF₆ conversion customers are anticipated to account for approximately 33% 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 accounting for approximately 37% of the Company's UO₂ sales in 2007. In addition, during 2007, revenues from one customer of Cameco's uranium and conversion segments represented approximately \$179 million (12%) of Cameco's total revenues from those businesses. As well, sales for the Bruce A and B reactors represent a substantial portion of the Company's fuel manufacturing business. The loss of any of the Company's largest customers or curtailment of purchases by such customers could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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 world uranium mining and enrichment companies, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium derived from used reactor fuel, and from the use of excess enrichment capacity to re-enrich depleted uranium tails. 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 enrichment capacity to re-enrich depleted uranium tails.

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 some 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.

Reduced Liquidity and Difficulty in Obtaining Future Financing.

The further development and exploration of mineral properties in which Cameco holds an interest may depend upon Cameco's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Cameco will be successful in obtaining required financing as and when needed. Volatile uranium markets, a claim against Cameco, a significant event disrupting Cameco's business or operations, or other factors may make it difficult or impossible for Cameco to obtain debt financing or equity financing on favourable terms or at all.

Technical Obsolescence

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

Risks Relating to Nuclear Electrical Generation

Generation and Technology Risks

BPLP is exposed to the market impact of uncertain output from its nuclear units known as generation risk. The amount of electricity generated by BPLP is affected by such risks as nuclear fuel supply, equipment malfunction, maintenance requirements, and regulatory and environmental constraints. BPLP is exposed to considerable technology risk because of the age of the Bruce units. Technology risks that could lead to significant impacts on the generating capability or operating life of BPLP's assets are not fully predictable. BPLP attempts to identify those risks through on-going management review and assessments, internal audits, and from experience of nuclear units around the world.

The occurrence of any events associated with generation risk or technology risk could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Nuclear Operations

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. BPLP has implemented risk management strategies, including the safety systems that are a part of CANDU technology, 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. Any such accident could also have an impact on the future prospects for nuclear generation.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, BPLP's nuclear facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of operations from BPLP's facilities, costs, monetary losses and potential legal liability and adverse governmental action.

OPG undertook a testing and inspection program to ascertain the physical condition of its nuclear generating stations. Under agreements entered into concurrently with the OPG-Bruce Power Lease, BPLP has continued that program for the Bruce nuclear generating stations by contracting with OPG for the supply of fuel channel and other inspection services (see *Operating Life Assessment* above). 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 BPLP will not have to incur significant capital expenditures for repairs or replacements in addition to those currently contemplated. To address these issues, BPLP 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 impact on BPLP.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Unplanned or Extended Outages

BPLP's anticipated contribution to Cameco's financial results in a given year could be significantly impacted if the amount of electricity generated is less than expected due to extensions of planned outages significantly beyond their scheduled periods, or if there are one or more unplanned outages which, in aggregate, are for an extended period.

Labour Relations

BPLP has approximately 3,700 employees. Most of them are unionized. The PWU Collective Agreement expires December 31, 2009. The Society Collective Agreement, which commenced January 1, 2005, expires December 31, 2009. Cameco cannot predict at this time whether new collective agreements will be reached with these or other employees without a work stoppage. Any lengthy work interruptions could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Government Regulation

BPLP's operations are subject to extensive government regulation, which regulation may change from time to time. Failure to comply with government regulations could subject BPLP to the revocation of its operating licences for its nuclear generation facilities, the imposition of additional conditions under such licences, and fines or other penalties. Matters that are subject to regulation include nuclear operations, nuclear waste management and decommissioning and environmental matters including air emissions. These regulations are promulgated pursuant to both federal and provincial law. Operations that are not currently regulated may become subject to regulation. Since legal requirements frequently change and are subject to interpretation, BPLP is not able to predict the ultimate cost of compliance with regulatory requirements or their effect on operations. Some of BPLP's operations are regulated by government agencies

that exercise discretionary powers conferred by statute. Since the scope of such authority is discretionary and may be inconsistently applied, BPLP is not able to predict the ultimate cost of compliance with these requirements or their effect on operations.

BPLP has decided to delay introduction of modified fuel in the Bruce B units. Previously, the plan was to start refuelling the Bruce B units with modified fuel commencing in 2008. The use of the modified fuel was intended to restore the safety margins of the reactors and allow them to operate at their design capacity. Currently, the Bruce B units are operating safely with reduced operating margins. BPLP has successfully taken other steps to partially restore the power rating at the Bruce B units. While the delay of the deployment of the modified fuel at Bruce B is not expected to result in any derating due to the low probability event safety margins, it remains possible that the units could experience significant derating in the future due to this issue. In addition, 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 B units and to impose additional onerous licence conditions on BPLP. (See *Bruce Power LP – The Generating Facilities – New Fuel Program* above.)

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Fuel Fabrication Defects and Product Liability

Zircatec fabricates nuclear fuel bundles, other reactor components and monitoring equipment. Zircatec's products are complex and, accordingly, may contain defects that could be detected at any point in their product life cycle. Flaws in these products could materially and adversely affect Zircatec's and Cameco's reputation, result in significant cost to Zircatec and Cameco and impair Zircatec's ability to sell its products in the future. The costs incurred in correcting any product errors may be substantial and could adversely impact Cameco's operating margins. While Zircatec has introduced in 2007 a rigorous new process review and control regime, there is no guarantee that all defects or errors in its products will be found.

Some customers may demand compensation if Zircatec delivers defective products. In the event of a significant number of product defects, the compensation that may have to be paid could have a significant impact on Cameco's operating results.

Some Zircatec agreements with customers contain specific terms which limit its liability to customers and others do not. Even with liability limitations in place, such provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. Zircatec has not experienced any material product liability claims to date. However, given the nature of nuclear fuel products, there is a risk that such claims could occur in the future. A successful product liability claim could result in significant monetary liability and could seriously disrupt Zircatec's and Cameco's business.

Nuclear Waste Management and Decommissioning

BPLP 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 BPLP to the revocation of its operating licences for its nuclear generation facilities, the imposition of additional conditions under such licences, and fines and other penalties. Any release of radioactive material beyond prescribed limits from property leased or occupied by BPLP 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. BPLP incurs substantial costs for nuclear waste management and changes in federal regulation could result in additional costs that could have a material adverse affect on BPLP.

The wet bays at Bruce B have limited capacity to store used nuclear fuel. As required by contract with BPLP, OPG has commenced the collection of used nuclear 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 in station 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 BPLP.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Restructuring of Ontario's Electricity Industry

The government of Ontario has the overall power to regulate Ontario's electricity industry. Ontario's electricity market opened to competition on May 1, 2002 with the introduction of competition in both the wholesale and retail markets in Ontario. The Ontario government subsequently announced regulatory changes as described under *Ontario's Electricity Regulation – Ontario Electricity Sector Restructuring* above. It is possible that further changes in the structure of the electricity market may occur based on the experience of the regulatory authorities and market participants in the new market environment. Such changes could be accomplished either through fundamental changes made by the government of Ontario to the structure of the Ontario electricity market, or through changes made to the market rules by the regulators.

The occurrence of any of these events could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Spot Market Electricity Prices

A significant portion of BPLP's revenue is tied, either directly or indirectly, to the spot market price for electricity in Ontario. The spot market price for electricity will vary depending on, amongst 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; wholesale market trading rules; mechanisms for maintaining adequate generation reserves; and the overall level of competition.

Although BPLP 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 volatile.

Reliance on Single Contractors

BPLP is dependent upon OPG for certain nuclear support services, Cameco for U₃O₈ supply and UO₂ conversion services, and Zircatec for fuel manufacturing services. Reliance by BPLP 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 impact on BPLP's expected contribution to Cameco's financial results.

Competition

The spot market price for electricity in the Ontario market has been volatile. Since Market Opening and the subsequent regulation of the retail electricity market, wholesale prices have been volatile. It is not clear what impact the changes brought about by the *Electricity Restructuring Act*, including the implementation of a hybrid electricity market model, will have on wholesale electricity prices. Cameco believes BPLP's ability to compete depends upon many factors within and outside of its control. There can be no assurance that BPLP will be able to compete successfully or that competitive pressure will not have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Reliance on Transmission Systems

BPLP'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 IESO 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 BPLP'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 could have a material adverse impact on BPLP's expected contribution to Cameco's financial results.

Effects of Weather

By the nature of its business, BPLP'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 BPLP's revenues are derived from sales through the IESO-administered spot market. Participants in the IESO spot market must meet IESO-mandated standards for creditworthiness with the result that BPLP's risk for these sales should be effectively managed. To the extent that the credit support provided by purchasers of power to the IESO is inadequate, all market participants, including BPLP, could be responsible for any shortfall in proportion to their market activity.

A significant portion of BPLP's revenues are derived from the sale of electricity under medium-term and long-term power purchase and electricity price heading agreements. The purchasers and BPLP 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 BPLP's credit risk for these sales being effectively managed. To the extent that financial assurances provided by such purchasers are inadequate, BPLP is subject to credit risk, the occurrence of which could have a material adverse impact on BPLP's expected contribution to Cameco's financial results. BPLP is likewise obligated, in certain circumstances, to provide financial assurances to such purchasers. Depending on the circumstances, this may burden the credit capacity of BPLP and Cameco. Cameco has committed to provide a certain amount of financial assurances to BPLP.

Risks Relating to Centerra

Centerra's business is sensitive to the volatility of gold prices

Centerra's revenue is largely dependent on the world market price of gold. The gold price is subject to volatile movements over time and is affected by numerous factors beyond Centerra's control. These factors include 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, including the performance of India's and the rest of Asia's economies.

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

Average London PM Fix

(US\$)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
US\$ Average	294	279	279	271	310	363	409	444	604	696

On March 18, 2008, the closing price of gold on the London market (PM Fix) was \$1,006 (US) per ounce.

If the market price of gold falls and remains below variable production costs of any of Centerra'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 Centerra's mining and exploration activities. Centerra 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 Centerra's gold reserves

and resources. These factors could have a material adverse impact on Centerra's expected contribution to Cameco's financial results.

Centerra's reserves may not be replaced

The Kumtor and Boroo mines are currently Centerra's only sources of gold production. Based on 2007 year-end reserve estimates and current mining plans, the Kumtor mine is expected to be depleted by 2014 and the Boroo mine is expected to be depleted by 2010. If these reserves are not replaced, this could have a material adverse impact on Centerra's expected contribution to Cameco's financial results.

Centerra may experience further ground movements at the Kumtor mine

On July 8, 2002, a highwall ground movement at the Kumtor mine resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, Centerra milled lower-grade ore and achieved lower recovery rates. In February 2004, movement was also detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. In February 2006, there was further movement detected in the southeast wall of the open pit. In July 2006, a pitwall ground movement occurred that resulted in lower than anticipated gold production in 2006 and re-sequencing of mining of the ore body. In the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. Deformation cracks in the waste rock above the fill focused attention on wall instability seated in the glacial till between the waste dumps and the underlying bedrock. Drilling has indicated that further push backs of the Kumtor pit will encounter unfrozen, water-saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. If depressurization of the till and of the underlying rocks cannot be achieved, a flatter slope angle will be required which would lead to a reduction of the mineral reserves mineable by open pit. For a description of these incidents, see "Kumtor Mine - Mining Operations - Geotechnical Issues Affecting the Kumtor Open Pit".

There can be no guarantee against further ground movements. A ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or a material increase in costs if it is necessary to redesign the open pit as a result of a ground movement. The consequences of a ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted or Centerra experiences a loss of reserves or a material increase in costs, this could have a material adverse impact on Cameco.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Centerra's business

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Centerra's decision as to whether to continue to operate existing mines, ore refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Centerra is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have a material adverse impact on Centerra's expected contribution to Cameco's financial results.

On August 3, 2007, Centerra's subsidiary, BGC, entered into an Amended Stability Agreement with the government of Mongolia. Centerra and the Mongolian government agreed that, effective January 1, 2007, the Boroo project will be subject to the generally applicable 25% corporate income tax, which will apply until the termination of the Amended

Stability Agreement in July 2013. Effective August 3, 2007, the mineral royalty payable will be 5%. (See *Centerra Gold Inc. — Boroo Mine — Stability Agreement* above.)

Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that the Mongolian parliament could designate it as a strategic deposit and take up to a 34% interest in it under the new Minerals Law. In addition, Gatsuurt may be subject to the windfall profits tax. Accordingly, Centerra has suspended further development of the property pending the completion of negotiations with the government. (See *Centerra Gold Inc. — Gatsuurt Development Property* above.)

Please see also see the additional disclosure above in the Risk Factor section under the heading *Governmental Regulation and Policy Risks* above.

Centerra's operations in the Kyrgyz Republic and Mongolia are located in areas of seismic activity

The areas surrounding both the Kumtor mine and Boroo operations are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for Centerra's Kumtor and Boroo operations, there can be no assurance that Centerra's operations will not be materially adversely affected by this kind of activity.

Centerra's properties are located in remote locations and require a long lead-time for equipment and supplies

Centerra operates in remote locations and depends on an uninterrupted flow of materials, supplies and services to those locations. In addition, Centerra uses expensive, large equipment that requires a long time to procure, build and install. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to Centerra's properties could have a material adverse impact on Centerra's expected contribution to Cameco's financial results. Access to the Kumtor mine has been restricted on several occasions by illegal roadblocks. (See *Centerra Gold — Kumtor Mine — Environmental, Health and Safety Matters* above.)

Illegal mining has occurred on Centerra's Mongolian properties, is difficult to control, may disrupt Centerra's operations and may expose Centerra to liability.

Illegal mining is widespread in Mongolia. Illegal miners have and may continue to trespass on Centerra's properties and engage in very dangerous practices, including climbing inside caves and old exploration shafts without any harnessing or safety devices. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits. The illegal activities of these miners could cause environmental damage (including environmental damage from the use of mercury by these miners) or other damage to Centerra's properties or further personal injury or death, for which Centerra could potentially be held responsible.

Centerra may experience reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which Centerra holds an interest or which Centerra may acquire may depend upon Centerra's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Centerra will be successful in obtaining required financing as and when needed. Volatile gold markets, a claim against Centerra, a significant event disrupting Centerra's business or operations, or other factors may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. Centerra's principal operations are located in, and Centerra's strategic focus is on, Central Asia and the former Soviet Union, developing areas that have experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for Centerra to obtain debt financing from project or other lenders. Failure to obtain additional financing on a timely basis may cause Centerra to postpone development plans, forfeit rights in Centerra's properties or joint ventures or reduce or terminate Centerra's operations. Reduced liquidity or difficulty in obtaining future financing could have a material adverse impact on Centerra's expected contribution to Cameco's financial results.

As a holding company, Centerra's ability to make payments depends on the cash flows of its subsidiaries.

Centerra is a holding company that conducts substantially all of operations through subsidiaries, many of which are incorporated outside of North America. Centerra has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Centerra is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt it incurs. The ability of Centerra's subsidiaries to provide it with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities;
- the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate; and
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated.

If Centerra is unable to receive sufficient cash from its subsidiaries, Centerra may be required to refinance its indebtedness, raise funds in a public or private equity or debt offering or sell some or all of its assets. There can be no assurances that an offering of its debt or equity or refinancing of its debt can or will be completed on satisfactory terms or that it would be sufficient to enable it to make payment with respect to its debt.

DESCRIPTION OF SECURITIES

Description of Share Capital

The authorized share capital of Cameco consists of an unlimited number of First Preferred Shares without nominal or par value, issuable in series (none of which are outstanding); an unlimited number of Second Preferred Shares without nominal or par value, issuable in series (none of which are outstanding); an unlimited number of common shares without nominal or par value, of which, at December 31, 2007, 344,398,698 common shares were outstanding as fully paid and non-assessable shares and one Class B Share of which one is outstanding as a fully paid and non-assessable share. In addition, as of December 31, 2007 there were 6,422,592 stock options outstanding to acquire common shares of Cameco pursuant to the Company's stock option plan. As well, at December 31, 2007, Cameco had \$230 million of Convertible Debentures outstanding. This issue may be converted into a total of 21,208,707 million common shares. (See 5% Convertible Subordinated Debentures below.) (The foregoing common share and stock option information adjusted for Cameco's February 17, 2006 two-for-one stock split of its outstanding common shares.) The Articles of Incorporation of Cameco (the "Articles") contain provisions imposing restraints on the issue, transfer and ownership of voting securities of Cameco. (See Restrictions on Ownership and Voting below.) The following is a summary of the material provisions attaching to these classes of shares.

Common Shares

Subject to the limitations described below, the holders of common shares are entitled to one vote per common share on all matters to be voted on by the shareholders at any meetings of shareholders (other than at meetings of only holders of some other class or series), and are entitled to receive such dividends as may be declared by the board of directors of Cameco. The common shares are subordinate to the rights of the holders of each series of the First Preferred Shares and Second Preferred Shares that may be outstanding as to payment of dividends and to the distribution of assets in the event of liquidation, dissolution or winding up of Cameco or any other distribution of the assets of Cameco among its shareholders for the purpose of winding up its affairs. The holders of the common shares have no pre-emptive, redemption, purchase or conversion rights in respect of such shares. Except as described under Description of Share Capital – Restrictions on Ownership and Voting below, non-residents of Canada who hold common shares have the same rights as shareholders as residents of Canada.

Class B Shares

The holder of the Class B share (the "Class B Share"), the Province of Saskatchewan, 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 the Articles; (ii) amalgamate that would effect an amendment to Part I of Schedule B of the Articles; or (iii) amend the Articles so as to alter the rights attached to the Class B Share. Part I of Schedule B of the Articles provides that (A) the registered office and head office operations of Cameco must be located in the Province of Saskatchewan (the "Province"), (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, and (C) all annual meetings of shareholders of the Company must be held at a place in the Province. The holder of the Class B Share is entitled to request and receive information from Cameco for the purpose of determining whether the provisions of Part I of Schedule B of the Articles are being complied with. The holder of the Class B Share does not have the right to receive any dividends declared by the Company. Subject to the prior rights of each series of First Preferred Shares and Second Preferred Shares, the holder of the Class B Share ranks equally with holders of common shares with respect to the distribution of assets in the event of liquidation, dissolution or winding up of the Company. The holder of the Class B Share has no pre-emptive, redemption, purchase or conversion rights in respect of such share. The Class B Share is non-transferable.

First Preferred Shares

The First Preferred Shares are issuable from time to time in one or more series and the board of directors of Cameco may determine by resolution the number of shares in, and the designation, rights, privileges, restrictions and conditions attaching to, each series. The First Preferred Shares of each series will rank equally with the shares of every other series of First Preferred Shares and prior to the Second Preferred Shares, the common shares and the Class B Share with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of the Company and may carry voting rights.

Second Preferred Shares

The Second Preferred Shares are issuable from time to time in one or more series and the board of directors of Cameco may determine by resolution the number of shares in, and the designation, rights, privileges, restrictions and conditions attaching to, each series. The Second Preferred Shares of each series will rank equally with the shares of every other series of Second Preferred Shares and prior to the common shares and the Class B Share with respect to the payment of dividends and the distributions of assets in the event of liquidation, dissolution or winding up of the Company and may carry voting rights.

Restrictions on Ownership and Voting

Limits on the Holdings of Residents and Non-Residents of Canada

The Articles, pursuant to the requirements of the *Eldorado Nuclear Limited Reorganization and Divestiture Act* (Canada) as amended (the "ENL Reorganization Act"), contain provisions imposing constraints on the issue, transfer and ownership, including joint ownership, of voting securities of Cameco so as to prevent both residents and non-residents from owning or controlling more than a specified percentage of voting securities. The constraints affect the common shares of the Company.

Specifically, no resident, alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only or for purposes of distribution by an underwriter, voting securities to which are attached more than 25% of the votes that may ordinarily be cast to elect directors of Cameco. Similarly, no non-resident, alone or together with associates, may hold, beneficially own or control, directly or indirectly, other than by way of security only or for purposes of distribution by an underwriter, voting securities to which are attached more than

15% of the votes that may ordinarily be cast to elect directors of Cameco. Further, the votes attaching to securities of Cameco held, beneficially owned or controlled, directly or indirectly, by all non-residents together, and cast at any meeting of shareholders of Cameco will be counted or pro-rated so as to limit the counting of those votes to not more than 25% of the total number of votes cast by the shareholders at that meeting.

Enforcement

In order to give effect to such constraints, the Articles contain provisions for the enforcement of the restrictions relating to ownership and voting by residents and non-residents described above, including provisions for suspension of voting rights, forfeiture of dividends and other distributions to shareholders, prohibitions against the issue and transfer of securities and suspension of all remaining shareholders' rights.

The provisions allow Cameco to require holders, proposed transferees or other subscribers for voting securities and certain other persons to furnish shareholder declarations as to residence, ownership of voting securities and certain other matters relative to the enforcement of the restrictions. Cameco is precluded from issuing or registering a transfer of any voting securities where a contravention of the resident or non-resident ownership restrictions would result.

If Cameco has reason to believe, whether through shareholder declarations filed with it or its books and records or those of its registrar and transfer agent or otherwise, that voting securities are held by a shareholder in contravention of the resident or non-resident ownership restrictions, it has the power to suspend all rights of the shareholder in respect of all securities held, other than the right to transfer them, not earlier than 30 days after first sending notice to the shareholder, unless the voting securities so held have been disposed of by the shareholder and Cameco has been so advised.

Definitions

The following definitions apply for the purposes of the restrictions described above:

"non-resident" means:

- (i) an individual, other than a Canadian citizen, who is not ordinarily resident in Canada;
- (ii) a corporation incorporated, formed or otherwise organized outside Canada;
- (iii) a foreign government or an agency thereof;
- (iv) a corporation that is controlled by non-residents, directly or indirectly, as defined in any of (i) to (iii) above;
- (v) a trust:
 - (A) established by a non-resident as defined in any of (ii) to (iv) above, other than a trust for the administration of a pension fund for the benefit of individuals a majority of whom are residents; or
 - (B) in which non-residents as defined in any of (i) to (iv) above have more than fifty percent of the beneficial interest; or
- (vi) a corporation that is controlled by a trust described in (v) above;

"resident" means an individual, corporation, government or agency thereof or trust that is not a non-resident;

"voting security" means a share or other security of Cameco carrying full voting rights under all circumstances or under some circumstances that have occurred and are continuing, and includes:

- (i) a security currently convertible into such a share or other security; and

- (ii) currently exercisable options and rights to acquire such a share or other security or such convertible share or other security;

"person" includes any individual, corporation, government or agency thereof, executor, administrator or other legal representative; a person is an associate of another person if:

- (i) one is a corporation of which the other is an officer or director;
- (ii) one is a corporation that is controlled by the other or by a group of persons of which the other is a member;
- (iii) one is a partnership of which the other is a partner;
- (iv) one is a trust of which the other is a trustee;
- (v) both are corporations controlled by the same person;
- (vi) both are members of a voting trust or parties to an arrangement that relates to voting securities of Cameco; or
- (vii) both are at the same time associates, within the meaning of any of (i) to (vi) above, of the same person; provided that:
 - (A) if a resident who, but for this paragraph, would be an associate of a non-resident submits to Cameco a statutory declaration stating that no voting securities are held, directly or indirectly, for a non-resident, that resident and non-resident are not associates of each other, provided the statutory declaration is not false;
 - (B) two corporations are not associates pursuant to (vii) above by reason only that each is an associate of the same person pursuant to (i) above;
 - (C) if any person appears to Cameco to hold voting securities to which are attached not more than the lesser of four one-hundredths of one percent of the votes that may ordinarily be cast to elect directors of Cameco and 10,000 such votes, that person is not an associate of any other person and no other person is an associate of that person in relation to those voting securities;

"control" means control in any manner that results in control in fact, whether directly through ownership of securities or indirectly through a trust, an agreement, the ownership of any body corporate or otherwise; and

"beneficial ownership" includes ownership through a trustee, legal representative, agent or other intermediary.

Other Restrictions

The ENL Reorganization Act places certain other restrictions on Cameco, including prohibition against applying for continuance in another jurisdiction and a prohibition against Cameco enacting articles of incorporation or bylaws containing provisions inconsistent with the provisions included in the ENL Reorganization Act. The ENL Reorganization Act provides that the Articles must contain restrictions on Cameco including a prohibition against Cameco creating restricted shares (generally a participating share containing restrictive voting rights) and the requirement that Cameco maintain its registered office and its head office operations within the Province of Saskatchewan.

The Saskatchewan Mining Development Corporation Reorganization Act also requires Cameco to maintain its registered office and its head office operations (generally all executive, corporate planning, senior management, administrative and general management functions) within the Province of Saskatchewan.

The bylaws of the Company provide that a majority of the members of the board of directors of Cameco shall be resident Canadians. The Articles provide that the number of directors will be not less than three and not more than fifteen. The number of directors is presently fixed at thirteen.

5% Convertible Subordinated Debentures

The 5% Convertible Subordinated Debentures (the "Convertible Debentures") are subordinated unsecured general obligations of the Company and are convertible into common shares of the Company, at the option of the holders. The Convertible Debentures are limited in aggregate principal amount to \$230 million and mature on October 1, 2013, unless earlier redeemed by the Company. The Convertible Debentures bear interest at the rate of 5% per annum payable semi-annually on April 1 and October 1 of each year. Interest payments will be payable by cash, or at the option of the Company, by delivery of common shares of the Company to the trustee (the "Trustee") for the Convertible Debentures, for sale on the open market and delivery of a cash amount equal to the amount payable to the holders of the Convertible Debentures.

A holder of a Convertible Debenture is entitled to convert the Convertible Debenture into common shares at any time on or prior to maturity. The conversion rate is approximately 92.3 shares per \$1,000 principal amount of Convertible Debentures, which translates to a conversion price of approximately \$10.83 (\$21.67 prior to the two-for one stock split on February 17, 2006) per Common Share, which is subject to adjustment in certain events. At December 31, 2007, the total number of Common Shares to be issued upon the conversion of the \$230 million Convertible Debentures was 21,208,707.

The Convertible Debentures will not be redeemable prior to October 1, 2008, except as described below. On or after October 1, 2008, the Convertible Debentures will be redeemable in whole or in part, at a redemption price equal to par (the "Redemption Price") plus accrued and unpaid interest. In addition, the Convertible Debentures are redeemable, in whole but not in part, at the option of the Company for cash at a redemption price equal to par plus accrued and unpaid interest thereon, in the event that the Company has become or would become obligated to pay any additional amounts in compensation for any withholding or deduction for or on account of any Canadian taxes related to payments made under or in respect of the Convertible Debentures on behalf of holders as a result of any change in Canadian tax laws.

The Company has the right to purchase for cancellation Debentures in the market, by tender or by private contract.

The Company shall have the right to elect to issue and deliver common shares of the Company to the Trustee to raise funds in order to satisfy its obligations to pay interest on the Convertible Debentures, subject to receiving any necessary regulatory approvals to issue the common shares.

The Company may, at its option, subject to applicable regulatory approval, elect to satisfy the Redemption Price of the Convertible Debentures which are to be redeemed or the principal amount of the Convertible Debentures which have matured, as the case may be, by issuing common shares of the Company to the holders of the Convertible Debentures in lieu of or in exchange for payment of the Redemption Price in money. Any accrued and unpaid interest thereon will be paid in cash.

Upon the occurrence of certain change of control events related to the Company, the Company is required to make an offer to all holders to purchase all outstanding Convertible Debentures properly tendered pursuant to such offer for a cash price equal to 100% of the principal amount of the Convertible Debentures plus accrued and unpaid interest thereon.

Ratings of Securities

In addition to having issued common shares and the Convertible Debentures, Cameco has one series of senior unsecured debentures outstanding and is a frequent issuer of commercial paper. Cameco's senior unsecured debentures ("Senior Unsecured Debentures") consist of \$300 million of debentures that bear interest at the rate of 4.7% per annum and which mature September 16, 2015. On January 17, 2006, Cameco completed the redemption of the \$50 million 7% senior unsecured debentures and \$100 million 6.9% senior unsecured debentures for a total redemption price of \$152 million plus accrued and unpaid interest. No commercial paper was outstanding at March 1, 2008.

As summarized in the following table, DBRS and Standard & Poor's ("S&P") have provided ratings of the Company's commercial paper, Senior Unsecured Debentures, and Convertible Debentures as set out below:

Security	DBRS ⁽¹⁾	S&P ⁽²⁾
Commercial Paper	R-1 (low)	A-1 (low) ⁽³⁾
Senior Unsecured Debentures	A (low)	BBB +
Convertible Debentures	BBB (high)	Not Rated

(1) Published as of September 6, 2007

(2) Published as of August 25, 2006

(3) A-1 (low) is the Canadian National Scale Rating while the Global Scale Rating is A-2.

The credit ratings provided by DBRS and S&P ("Rating Agencies") are not recommendations to buy, hold or sell the securities, as such rating do not comment on the market price or suitability for an individual investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if in its judgment circumstances so warrant. Cameco provides the Rating Agencies with confidential, in-depth information in support of the rating process.

The rating ranges, definitions of the rating categories and the relative rankings assigned within the respective rating classification systems are as follows:

Commercial Paper

Commercial paper rating scales are meant to give an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner. DBRS rates commercial paper by rating categories ranging from a high of R-1 to a low of D. The rating of R-1 (low) from DBRS is at the lower end of the R-1 category. An R-1 (low) rating is characterized as having "satisfactory credit quality" and is the third highest of ten available credit ratings. S&P rates commercial paper by rating categories ranging from a high of A-1 (high) to a low of D. The rating of A-1 (low) from S&P is characterized as having "satisfactory capacity to meet its financial commitments on the obligation" and is the third highest of eight available credit ratings.

Senior Unsecured Debentures

Long-term debt rating scales are meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. DBRS rates senior unsecured debt by rating categories ranging from a high of AAA to a low of D. The rating of A (low) from DBRS is at the lower end of the A category. The A category is characterized as having "satisfactory credit quality" and is the third highest of ten available credit ratings. S&P rates senior unsecured debt by rating categories ranging from a high of AAA to a low of D. The rating of BBB+ from S&P is at the higher end of the BBB category. The BBB category is characterized as exhibiting "adequate protection parameters" and is the fourth highest of ten available credit ratings.

Convertible Debentures

Subordinated obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy. DBRS rates the subordinated convertible debentures by rating categories ranging from a high of AAA to a low of C. The rating of BBB+ from DBRS is at the higher end of the BBB category. The BBB category is characterized as having "adequate credit quality" and is the fourth highest of nine available credit ratings.

Dividend Policy

At the time of the Company's initial public offering in 1991, the board of directors of the Company established a policy of paying quarterly dividends.

In December 2004, Cameco announced that its board of directors approved a three-for-one stock split of its outstanding common shares, to be effected by way of a stock dividend. All shareholders received two additional shares for each

share owned on the record date of December 31, 2004. The board of directors also approved an increase in the annual dividend from \$0.60 to \$0.72 (\$0.24 post split) beginning in 2005.

In January 2006, Cameco announced that its board of directors approved a two-for-one stock split of its outstanding shares, to be effected by way of a stock dividend. All shareholders received one additional share for each share owned on the record date of February 17, 2006. The board of directors also approved an increase in the annual dividend from \$0.24 to \$0.32 (\$0.16 post-split) beginning in 2006.

In December 2006, Cameco's board of directors approved an increase in the annual dividend from \$0.16 to \$0.20 beginning in 2007.

In December 2007, Cameco's board of directors approved an increase in the annual dividend from \$0.20 to \$0.24 beginning in 2008.

This policy will be reviewed from time to time in light of the Company's financial position and other factors considered relevant by the board of directors.

The following table sets forth the cash dividends per common share for each of the most recently completed financial years (adjusted for the February 17, 2006 stock split).

	2007	2006	2005
Cash dividends declared per common share	\$0.20	\$0.16	\$0.12

2007 CONSOLIDATED FINANCIAL STATEMENTS

The Company's 2007 Consolidated Financial Statements are incorporated herein by reference. This document has been filed by the Company, and is available, on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's Management's Discussion and Analysis for the year ended December 31, 2007 is incorporated herein by reference. This document (also referred to in this Annual Information Form as the 2007 MD&A) has been filed by the Company, and is available, on SEDAR at www.sedar.com.

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).

The Canadian registrar and transfer agent for the Company's 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. The US registrar and transfer agent for the Company's common shares is Mellon Investor Services LLC through its offices at 29 Jersey City, New Jersey, 07310.

Price Range and Trading Volume of Common Shares

The following table sets forth the range of high and low closing prices and trading volume for the common shares of the Company on the TSX for the periods indicated.

2007	TSX		
	High (\$)	Low (\$)	Volume
January	48.75	42.90	30,781,765
February	46.04	41.82	36,112,346
March	47.66	41.59	32,728,523
April	54.99	46.40	38,209,043
May	57.49	51.18	32,205,110
June	59.90	50.15	31,283,929
July	55.26	41.45	56,278,430
August	43.62	36.80	44,434,497
September	47.78	41.10	41,516,850
October	50.24	41.14	45,049,300
November	46.48	39.00	51,262,008
December	40.84	35.22	36,357,832

Price Range and Trading Volume of 5% Convertible Subordinated Debentures due October 1, 2013

The following table sets forth the range of high and low closing prices and trading volume for the 5% Convertible Subordinated Debentures due October 1, 2013 for the periods indicated on the TSX. The high and low prices are quoted based upon \$100 principal or par value amount. The volume is the total number to \$100 par value debentures traded during the period.

2007	TSX		
	High \$	Low \$	Volume
January	451.06	403.50	740
February	427.06	390.68	272,955
March	431.94	398.00	1,100
April	500.00	450.14	50,720
May	521.44	484.15	287,360
June	533.20	468.85	1,320
July	507.58	386.50	3,540
August	394.53	357.07	940
September	431.70	395.62	470
October	450.27	410.84	340
November	392.22	363.00	2,360
December	364.56	364.56	60

DIRECTORS AND OFFICERS

Directors

Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment	Director Since ⁽¹⁾
JOHN S. AUSTON ^(2, 5) West Vancouver, British Columbia, Canada	Geologist; Corporate Director, 2000 to present; prior: President, Director and Chief Executive Officer, Ashton Mining of Canada Inc. 1996-2000.	1999
JOHN H. CLAPPISON ^(2, 3, 4) Toronto, Ontario, Canada	Corporate Director, commencing in 2006; prior: 1990 to December 2005, managing partner of the Toronto office of PricewaterhouseCoopers LLP.	2006
JOE F. COLVIN ^(4, 6) Kiawah Island, South Carolina, U.S.A.	Corporate Director and President Emeritus of Nuclear Energy Institute, February 16, 2005 to present; prior: President and Chief Executive Officer, Nuclear Energy Institute 1996 to February 15, 2005.	1999
HARRY D. COOK ^(2, 4, 6) La Ronge, Saskatchewan, Canada	Corporate Director, March 31, 2005 to present; prior: Chief, Lac La Ronge Indian Band from 1987 until March 31, 2005.	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 ^(3, 6) Toronto, Ontario, Canada	Corporate Director, 1998 to present; prior: Vice-Chairman and Director, RBC Dominion Securities Limited (investment dealer) 1981-1998.	1996
GERALD W. GRANDEY President and Chief Executive Officer Saskatoon, Saskatchewan, Canada	Assumed current position 2003; prior: President 2000-2002; Executive Vice-President 1997-2000.	2000
NANCY E. HOPKINS ^(3, 6) Saskatoon, Saskatchewan, Canada	Lawyer, Partner, McDougall Gauley, 1984 to present. Effective January 2001 Gauley & Company merged with McDougall Ready to form McDougall Gauley.	1992
OYVIND HUSHOVD ^(2, 3, 5) Kristiansand S, Norway	Corporate Director, June 1, 2005 to present; prior: Chairman and Chief Executive Officer of Gabriel Resources Ltd., May 2003 to May 31, 2005; and President and Chief Executive Officer of Falconbridge Ltd. 1996 to 2002.	2003
J.W. GEORGE IVANY ^(3, 5, 6) Kelowna, British Columbia, Canada	Corporate Director, 1999 to present; prior: President and Vice-Chancellor, University of Saskatchewan 1989-1999.	1999

<u>Name, Office held in Corporation and Municipality of Residence</u>	<u>Principal Occupation or Employment</u>	<u>Director Since ⁽¹⁾</u>
A. ANNE McLELLAN ^(4, 5, 6) Edmonton, Alberta, Canada	Lawyer, Counsel, Bennett Jones LLP June, 2006 to present; prior: 1993 to 2006, served as a cabinet minister in various portfolios with the Canadian government, most recently as Deputy Prime Minister of Canada from 2003 to 2006.	2006
A. NEIL McMILLAN ^(2, 3, 4) Saskatoon, Saskatchewan, Canada	President and Chief Executive Officer, Claude Resources Inc. March 1, 2004 to present; prior: 1996 to March 1, 2004 President of Claude Resources Inc.	2001
ROBERT W. PETERSON ^(3, 4, 5) Regina, Saskatchewan, Canada	Member of the Senate of Canada 2005 to present and President and Chief Operating Officer Denro Holdings Ltd. 1994 to present.	1994
VICTOR J. ZALESCHUK ^(2, 5, 6) Calgary, Alberta, Canada	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

Notes:

- (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 reserves oversight committee.
- (3) Member of the audit committee.
- (4) Member of the safety, health and environment committee.
- (5) Member of the human resources and compensation committee.
- (6) Member of the nominating, corporate governance and risk committee.

Officers

Name, Office held in Corporation and Municipality of Residence	Principal Occupation or Employment for Past Five Years
VICTOR J. ZALESCHUK Chair Calgary, Alberta, Canada	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, Canada	Assumed current position January 2003; prior: President, 2000-2002; Executive Vice-President 1997-2000.
TIMOTHY S. GITZEL Senior Vice-President and Chief Operating Officer Saskatoon, Saskatchewan, Canada	Assumed current position January 2007; prior: Executive Vice-President, mining business unit, AREVA June 2004 to January 2007; President and Chief Executive Officer, Cogema Resources Inc. September 2001 to June 2004.
GEORGE B. ASSIE Senior Vice-President, Marketing and Business Development Saskatoon, Saskatchewan, Canada	Assumed current position January 2003; prior: President Cameco Inc., Eden Prairie, Minnesota 1999 - 2002.
O. KIM GOHEEN Senior Vice-President and Chief Financial Officer Saskatoon, Saskatchewan, Canada	Assumed current position August 2004; prior Vice-President & Treasurer May 1999 to August 2004.
RITA M. MIRWALD Senior Vice-President, Corporate Services Saskatoon, Saskatchewan, Canada	Assumed current position April 1997.
GARY M.S. CHAD Senior Vice-President, Governance, Law and Corporate Secretary Saskatoon, Saskatchewan, Canada	Assumed current position January 2000; prior: Senior General Counsel and Secretary 1990-1999.

To the knowledge of the Company, the number of common shares of Cameco which were beneficially owned, directly or indirectly, or over which control or direction was exercised by all directors and officers of Cameco as a group, as at March 18, 2008, was 506,189, representing less than 1% of the outstanding common shares of Cameco .

To the knowledge of the Company, the number of common shares of Centerra which were beneficially owned, directly or indirectly, or over which control or direction was exercised by all directors and officers of Cameco as a group, as at March 18 2008, was 49,695, representing less than 1% of the outstanding common shares of Centerra.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company are, or have been within the past ten years, a director or executive officer of another company which, during such individual's tenure:

- (a) was the subject of a cease trade or similar order or an order that denied that company access to any statutory exemptions for a period exceeding 30 consecutive days;

- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied that issuer access to any statutory exemptions for a period exceeding 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

None of the directors or officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company are, or have been within the past ten years, directors, officers or promoters of other companies which were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

None of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Interest of Management and Others in Material Transactions

To the best of the Company's knowledge, none of the directors, executive officers or shareholders exercising control or direction or over 10% of any class of the Company's outstanding securities, nor their associates or affiliates, have any material interests in material transactions which have affected; or will materially affect, the Company.

AUDIT COMMITTEE

Audit Committee Charter

A copy of the audit committee charter is attached as Appendix "A" and is also available on the Company's website www.cameco.com under "Governance".

Composition of the Audit Committee

The members of the audit committee are Nancy Hopkins (chair), Oyvind Hushovd, George Ivany, Neil McMillan, Robert Peterson and John Clappison. Each member of the committee is independent and financially literate within the meaning of Multilateral Instrument 52-110 of the Canadian Securities Administrators.

Relevant Education and Experience

John Clappison, a corporate director, is the former managing partner of the Toronto office of PricewaterhouseCoopers LLP. He currently serves on a number of boards of publicly traded companies, a board of one the public company's subsidiaries, the boards of other private and not-for-profit organizations. Mr. Clappison is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario.

Nancy Hopkins is a partner with the law firm of McDougall Gauley, LLP in Saskatoon where she concentrates her practice on corporate and commercial law and taxation. She currently serves on a number of boards. She formerly

served on the board of the Canadian Institute of Chartered Accountants. Ms. Hopkins has a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Saskatchewan. Ms. Hopkins chairs the Audit Committee.

Oyvind Hushovd, a corporate director, is the former Chair and Chief Executive Officer of Gabriel Resources Ltd., a Canadian-based precious metals exploration and development company, retiring in 2005. Prior to that he was the President and Chief Executive Officer of Falconbridge Limited from 1996 to 2002. He currently serves on a number of boards of publicly traded companies. Mr. Hushovd received a Master of Economics and Business Administration degree from the Norwegian School of Business and a Master of Law degree from the University of Oslo.

George Ivany, a corporate director, is the former President and Vice-Chancellor of the University of Saskatchewan. Dr. Ivany received a Bachelor of Science degree in Chemistry and Physics and a diploma in education from Memorial University of Newfoundland. He received a Master of Arts degree in Physics Education from the Teachers College, Columbia University and a Ph.D. in Secondary Education from the University of Alberta.

Neil McMillan is the President and Chief Executive Officer of Claude Resources Inc., a gold mining and oil and gas producing company based in Saskatoon, Saskatchewan. He currently serves on a number of boards of publicly traded companies and previously sat on the board of Atomic Energy Canada Ltd. Mr. McMillan received a Bachelor of Arts degree in History and Sociology from the University of Saskatchewan.

Robert Peterson, Senator, is a member of the Senate of Canada, having been appointed in 2005. He is also the President and Chief Operating Officer of Denro Holdings Ltd., a diversified corporation involved in real estate development, investor fund management and property management. Mr. Peterson received a Bachelor of Science degree in Civil Engineering from the University of Saskatchewan.

Fees Paid to External Auditors

Fees paid to the external auditors during the years ended December 31, 2007 and 2006 were as follows:

	2007	2007	2006	2006
Audit Fees:				
Cameco and Canadian joint ventures	\$890,000	44.9%	\$834,000	39.5%
Centerra and other subsidiaries	661,400	33.2%	895,200	42.5%
Total Audit Fees	\$1,551,400	78.1%	\$1,729,200	82.0%
Audit-Related Fees:				
Sarbanes-Oxley 404 scoping project	\$41,500	2.1%	\$90,000	4.3%
Cameco consultative	31,500	1.6%	---	---
Centerra consultative	153,900	7.8%	---	---
Pensions	13,000	0.7%	8,500	0.4%
Zircatec - specified procedures	---	---	50,000	2.3%
Total Audit-Related Fees	\$239,900	12.2%	\$148,500	6.9%
Tax Fees:				
Compliance	\$130,400	6.5%	\$167,500	7.8%
Planning and advice	58,800	3.0%	51,700	2.4%
Total Tax Fees	\$189,200	9.6%	\$219,200	10.2%
All Other Fees:	---	---	---	---
Total Fees	\$1,980,500	100%	\$2,096,900	100%

External Audit Pre-Approval Practices

As part of Cameco's corporate governance practices, under Cameco's audit committee charter, the audit committee is required to pre-approve the audit and non-audit services performed by the external auditors. Unless a type of service is which is to be provided by the external auditors receives general pre-approval, it requires specific pre-approval by Cameco's audit committee or audit committee chair, or in the absence of the audit committee chair, a member of the audit committee as designated by the audit committee. All pre-approvals granted pursuant to the delegated authority must be presented by the member(s) who granted the pre-approvals to the full committee at its next meeting. The audit committee has adopted a written policy to provide procedures to implement the foregoing principles.

MATERIAL CONTRACTS

The only contracts entered into by the Company since January 1, 2002 that are material and not entered into in the ordinary course of business, and which not otherwise required to be disclosed, are the following:

- (a) On September 11, 2003, Cameco entered into an underwriting agreement with RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets and HSBC Securities (Canada) Inc. in connection with the issuance on October 1, 2003 of \$230 million principal amount of 5% Convertible Debentures due in 2013. For more details on the Convertible Debentures, see "Description of Securities-5% Convertible Subordinated Debentures."
- (b) On September 25, 2003, Cameco entered into a Trust Indenture with CIBC Mellon Trust Company in connection with the issuance on October 1, 2003 of \$230 million principal amount of 5% Convertible Debentures due in 2013. This Trust Indenture sets out the terms and conditions pertaining to the Convertible Debentures. For more details on the Convertible Debentures, see "Description of Securities-5% Convertible Subordinated Debentures."
- (c) On September 1, 2005, Cameco entered into an underwriting agreement with RBC Dominion Securities Inc. and Scotia Capital Inc. in connection with the issuance on September 15, 2005 of \$300 million principal amount of

4.7% unsecured debentures due in 2015. For more details on these debentures, see "Description of Securities-Rating of Securities."

- (d) On September 16, 2005, Cameco entered into the Third Supplemental Indenture with CIBC Mellon Trust Company in connection with the issuance on September 15, 2005 of \$300 million principal amount of 4.7% unsecured debentures due in 2015. This Third Supplemental Indenture, together with the July 12, 1999 original indenture, sets out the terms and conditions pertaining to the \$300 million principal amount of 4.7% unsecured debentures due in 2015. For more details on these debentures, see "Description of Securities-Rating of Securities."
- (e) On December 2, 2005, Cameco entered into an agreement to acquire a 100% interest in Zircatec, a Canadian manufacturer of nuclear fuel bundles. The purchase was completed on February 1, 2006 at a purchase price of \$109 million. For more details on this purchase, see "Uranium Fuel Conversion Services-Operations."

INTEREST OF EXPERTS

Name of Experts

The Company's auditor is KPMG LLP, independent chartered accountants, who have audited the Company's 2007 Consolidated Financial Statements, which are incorporated herein by reference.

The qualified persons, as defined by National Instrument 43-101, who have prepared or supervised preparation of the scientific and technical information in this Annual Information Form regarding the Company's material uranium properties (McArthur River and Cigar Lake), including uranium mineral reserve and resources estimates, are named above at *Uranium Concentrates Business - Reserves and Resources*. All of the qualified persons are employees of Cameco.

The qualified persons, as defined by National Instrument 43-101, who has prepared or supervised the preparation of scientific and technical information in this Annual Information Form regarding the Company's material gold property (Kumtor), including mineral reserve and resource estimates, are named above at *Centerra Gold Inc. - Reserves and Resources*. Two qualified persons, Ian Atkinson and Dan Redmond, are employees of Centerra, a subsidiary of Cameco. The other two qualified persons are not employees of Cameco or its subsidiaries.

Interest of Experts

KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

To the knowledge of the Company, the qualified persons named or referred above under "Name of Experts" beneficially owns, directly or indirectly, less than 1% or more of any class of the Company's outstanding securities.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (SEDAR) under the Company's name at www.sedar.com. Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of Cameco securities, if any, and securities authorized for issuance under equity compensation plans, can be found in Cameco's April 9, 2007 Management Proxy Circular for its May 2007 annual and special meeting of shareholders and will be found in Cameco's Management Proxy Circular for its May 2008 annual and special meeting of shareholders that is expected to be available in April 2008. Such additional financial information is provided in the Company's consolidated financial statements for the fiscal year-ended December 31, 2007 and the Company's management's discussion and analysis relating to the same, which are incorporated herein by reference.

Appendix "A"

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

MANDATE

PURPOSE

The primary purpose of the audit committee (committee) is to assist the board of directors (board) in fulfilling its oversight responsibilities for (a) the accounting and financial reporting processes, (b) the internal controls, (c) the external auditors, including performance, qualifications, independence, and their audit of the corporation's financial statements, (d) the performance of the corporation's internal audit function, (e) risk management of financial risks as delegated by the board, (f) the corporation's process for monitoring compliance with laws and regulations (other than environmental and safety laws) and its code of conduct and ethics, and (g) prevention and detection of fraudulent activities. The committee shall also prepare such reports as required to be prepared by it by applicable securities laws.

In addition, the committee provides an avenue for communication between each of the internal auditor, the external auditors, management, and the board. The committee shall have a clear understanding with the external auditors that they must maintain an open and transparent relationship with the committee and that the ultimate accountability of the external auditors is to the board and the committee, as representatives of the shareholders. The committee, in its capacity as a committee of the board, subject to the requirements of applicable law, is directly responsible for the appointment, compensation, retention, and oversight of the external auditors.

The committee has the authority to communicate directly with the external auditors and internal auditor.

The committee shall make regular reports to the board concerning its activities and in particular shall review with the board any issues that arise with respect to the quality or integrity of the corporation's financial statements, the performance and independence of the external auditors, the performance of the corporation's internal audit function, or the corporation's process for monitoring compliance with laws and regulations other than environmental and safety laws.

COMPOSITION

The board shall appoint annually, from among its members, a committee and its chair. The committee shall consist of at least three members and shall not include any director employed by the corporation.

Each committee member will be independent pursuant to the standards for independence adopted by the board.

Each committee member shall be financially literate with at least one member having accounting or related financial expertise, using the terms defined as follows:

"Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the corporation's financial statements; and

"Accounting or related financial expertise" means the ability to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

In addition, where possible, at least one member of the committee shall qualify as an "audit committee financial expert" within the meaning of applicable securities law.

Members of the committee may not serve on the audit committees of more than two additional public companies without the approval of the board.

MEETINGS

The committee will meet at least four times annually and as many additional times as the committee deems necessary to carry out its duties effectively. The committee will meet separately in private with the external auditors, the internal auditor and management at each regularly scheduled meeting.

A majority of the members of the committee shall constitute a quorum. No business may be transacted by the committee except at a meeting of its members at which a quorum of the committee is present.

The committee may invite such officers, directors and employees of the corporation as it may see fit from time to time to attend at meetings of the committee and assist thereat in the discussion and consideration of any matter.

A meeting of the committee may be convened by the chair of the committee, a member of the committee, the external auditors, the internal auditor, the chief executive officer or the chief financial officer. The secretary, who shall be appointed by the committee, shall, upon direction of any of the foregoing, arrange a meeting of the committee. The committee shall report to the board in a timely manner with respect to each of its meetings.

DUTIES AND RESPONSIBILITIES

To carry out its oversight responsibilities, the committee shall:

Financial Reporting Process

1. Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring management judgement, to the extent that the foregoing may be material to financial reporting.
2. Consider any matter required to be communicated to the committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards, including the external auditors' report to the committee (and management's response thereto) on: (a) all critical accounting policies and practices used by the corporation; (b) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors; and (c) any other material written communications between the external auditors and management.
3. Require the external auditors to present and discuss with the committee their views about the quality, not just the acceptability, of the implementation of generally accepted accounting principles with particular focus on accounting estimates and judgements made by management and their selection of accounting principles.
4. Discuss with management and the external auditors (a) any accounting adjustments that were noted or proposed (i.e. immaterial or otherwise) by the external auditors but were not reflected in the financial statements, (b) any material correcting adjustments that were identified by the external auditors in accordance with generally accepted accounting principles or applicable law, (c) any communication reflecting a difference of opinion between the audit team and the external auditors' national office on material auditing or accounting issues raised by the engagement, and (d) any "management" or "internal control" letter issued, or proposed to be issued, by the external auditors to the corporation.
5. Discuss with management and the external auditors any significant financial reporting issues considered during the fiscal period and the method of resolution. Resolve disagreements between management and the external auditors regarding financial reporting.

6. Review with management and the external auditors (a) any off-balance sheet financing mechanisms being used by the corporation and their effect on the corporation's financial statements and (b) the effect of regulatory and accounting initiatives on the corporation's financial statements, including the potential impact of proposed initiatives.
7. Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
8. Review with the external auditors any audit problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management, and management's response. Resolve any disagreements between management and the external auditors regarding these matters.
9. Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
10. Review and discuss with management and the external auditors the audited annual financial statements and related management discussion and analysis, make recommendations to the board with respect to approval thereof, before being released to the public, and obtain an explanation from management of all significant variances between comparable reporting periods. Obtain confirmation from management and the external auditors that the reconciliation of the audited financial statements to U.S. GAAP complies with the requirements of U.S. securities laws.
11. Review and discuss with management and the external auditors all interim unaudited financial statements and quarterly reports and related interim management discussion and analysis and make recommendations to the board with respect to the approval thereof, before being released to the public.
12. Obtain confirmation from the chief executive officer and the chief financial officer (and considering the external auditors' comments, if any, thereon) to their knowledge:
 - (a) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings; and
 - (b) that the interim financial statements, together with any financial information included in the interim MD&A, fairly represent in all material respects the corporation's financial condition, cash flow and results of operation, as of the date and for the periods presented in such filings.
13. Review earnings press releases, before being released to the public. Discuss the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro-forma" or "adjusted" Non-GAAP, information).
14. Review any news release, before being released to the public, containing earnings guidance or financial information based upon the corporation's financial statements prior to the release of such statements.
15. Review the appointment of the chief financial officer and have the chief financial officer report to the committee on the qualifications of new key financial executives involved in the financial reporting process.
16. Consult with the human resources and compensation committee on the succession plan for the chief financial officer and controller. Review the succession plans in respect of the chief financial officer and controller.

Internal Controls

1. Receive from management a statement of the corporation's system of internal controls over accounting and financial reporting.
2. Consider and review with management, the internal auditor and the external auditors, the adequacy and effectiveness of internal controls over accounting and financial reporting within the corporation and any proposed significant changes in them.
3. Consider and discuss the scope of the internal auditors and external auditors review of the corporation's internal controls, and obtain reports on significant findings and recommendations, together with management responses.
4. Discuss, as appropriate, with management, the external auditors and the internal auditor, any major issues as to the adequacy of the corporation's internal controls and any special audit steps in light of material internal control deficiencies.
5. Review annually the disclosure controls and procedures, including (a) the certification timetable and related process and (b) the procedures that are in place for the review of corporation's disclosure of financial information extracted from corporation's financial statements and the adequacy of such procedures. Receive confirmation from the chief executive officer and the chief financial officer of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves management or other employees who have a significant role in the corporation's internal control over financial reporting. In addition, receive confirmation from the chief executive officer and the chief financial officer that they are prepared to sign the annual and quarterly certificates required by applicable securities law.
6. Review management's annual report and the external auditors' report on the assessment of the effectiveness of the corporation's internal control over financial reporting.
7. Receive a report, at least annually, from the reserves oversight committee of the board on the corporation's mineral reserves.

External Auditors

(i) *External Auditors' Qualifications and Selection*

1. Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the external auditors, who must be registered with agencies mandated by applicable law. The committee shall be entitled to adequate funding from the corporation for the purpose of compensating the external auditors for completing an audit and audit report.
2. Instruct the external auditors that:
 - (a) they are ultimately accountable to the board and the committee, as representatives of shareholders; and
 - (b) they must report directly to the committee.
3. Ensure that the external auditors have direct and open communication with the committee and that the external auditors meet regularly with the committee without the presence of management to discuss any matters that the committee or the external auditors believe should be discussed privately.
4. Evaluate the external auditors' qualifications, performance, and independence. As part of that evaluation:

- (a) at least annually, request and review a formal report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the external auditors and the corporation, including the amount of fees received by the external auditors for the audit services and for various types of non-audit services for the periods prescribed by applicable law; and
- (b) annually review and confirm with management and the external auditors the independence of the external auditors, including the extent of non-audit services and fees, the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the corporation, whether there should be a regular rotation of the audit firm itself, and whether there has been a "cooling off" period of one year for any former employees of the external auditors who are now employees with a financial oversight role, in order to assure compliance with applicable law on such matters; and
- (c) annually review and evaluate senior members of the external audit team, including their expertise and qualifications. In making this evaluation, the audit committee should consider the opinions of management and the internal auditor.

Conclusions on the independence of the external auditors should be reported to the board.

5. Review and approve the corporation's policies for the corporation's hiring of employees and former employees of the external auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

(ii) Other Matters

6. Meet with the external auditors to review and approve the annual audit plan of the corporation's financial statements prior to the annual audit being undertaken by the external auditors, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the external auditors of the factors considered by the external auditors in determining their audit scope, including major risk factors. The external auditors shall report to the committee all significant changes to the approved audit plan.
7. Review and approve the basis and amount of the external auditors' fees with respect to the annual audit in light of all relevant matters.
8. Review and pre-approve all audit and non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the corporation by the external auditors or any other person in its capacity as external auditors of such subsidiary. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to pre-approve any audit or non-audit service engagement fees and terms. At the next committee meeting, the chair shall report to the committee any such pre-approval given. Establish and adopt procedures for such matters.

Internal Auditor

1. Review and approve the appointment or removal of the internal auditor.
2. Review and discuss with the external auditors, management, and internal auditor the responsibilities, budget and staffing of the corporation's internal audit function.

3. Review and approve the mandate for the internal auditor and the scope of annual work planned by the internal auditor, to receive summary reports of internal audit findings, management's response thereto, and reports on any subsequent follow-up to any identified weakness.
4. Ensure that the internal auditor has direct and open communication with the committee and that the internal auditor meets regularly with the committee without the presence of management to discuss any matters that the committee or the internal auditor believe should be discussed privately, such as problems or difficulties which were encountered in the course of internal audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management.
5. Review and discuss with the internal auditor and management the internal auditor's ongoing assessments of the corporation's business processes and system of internal controls.
6. Review the effectiveness of the internal audit function, including staffing, organizational structure and qualifications of the internal auditor and staff.

Compliance

1. Monitor compliance by the corporation with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the directors of the corporation personally liable.
2. The receipt of regular updates from management regarding compliance with laws and regulations and the process in place to monitor such compliance, excluding, however, legal compliance matters subject to the oversight of the safety, health and environmental committee of the board. Review the findings of any examination by regulatory authorities and any external auditors' observations relating to such matters.
3. Establish and oversee the procedures in the code of conduct and ethics policy to address:
 - (a) the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting or auditing matters; and
 - (b) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters.

Receive periodically a summary report from the senior vice-president law, regulatory affairs and corporate secretary on such matters as required by the code of conduct and ethics policy.

Monitor management's implementation of the code of conduct and ethics policy and the international business conduct policy and review compliance therewith by, among other things, obtaining an annual report summarising statements of compliance by employees pursuant to such policies and reviewing the findings of any investigations of non-compliance. Periodically review the adequacy and appropriateness of such policies and make recommendations to the board thereon.

Monitor management's implementation of the anti-fraud policy; and review compliance therewith by, among other things, receiving reports from management on:

- (a) any investigations of fraudulent activity;
- (b) monitoring activities in relation to fraud risks and controls; and
- (c) assessments of fraud risk.

Periodically review the adequacy and appropriateness of the anti-fraud policy and make recommendations to the board thereon.

Review all proposed related party transactions and situations involving a director's, senior officer's or an affiliate's potential or actual conflict of interest that are not required to be dealt with by an "independent committee" pursuant to securities law rules, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice. Between scheduled committee meetings, the chair of the committee, on behalf of the committee, is authorised to review all such transactions and situations. At the next committee meeting, the chair shall report to the results of such review. Ensure that political and charitable donations conform with policies and budgets approved by the board.

Monitor management of hedging, debt and credit, make recommendations to the board respecting policies for management of such risks, and review the corporation's compliance therewith.

4. Approve the expenses submitted for reimbursement by the chief executive officer.

Organizational Matters

1. The procedures governing the committee shall, except as otherwise provided for herein, be those applicable to the board as set forth in Part 7 of the General Bylaws of the corporation.
2. The members and the chair of the committee shall be entitled to receive remuneration for acting in such capacity as the board may from time to time determine.
3. The committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:
 - (a) to select, retain, terminate, set and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate; and
 - (b) to obtain appropriate funding to pay, or approve the payment of, such approved fees;without seeking approval of the board or management
4. Any member of the committee may be removed or replaced at any time by the board and shall cease to be a member of the committee upon ceasing to be a director. The board may fill vacancies on the committee by appointment from among its members. If and whenever a vacancy shall exist on the committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the foregoing, each member of the committee shall remain as such until the next annual meeting of shareholders after that member's election.
5. The committee shall annually review and assess the adequacy of its mandate and recommend any proposed changes to the nominating, corporate governance and risk committee for recommendation to the board for approval.
6. The committee shall participate in an annual performance evaluation by the nominating, corporate governance and risk committee, the results of which will be reviewed by the board.
7. The committee shall perform any other activities consistent with this mandate, the corporation's governing laws and the regulations of stock exchanges, as the committee or the board deems necessary or appropriate.

The attached Prospectus Supplement to a Final Short Form Shelf Prospectus dated June 21, 1999 and Short Form Shelf Prospectus dated June 21, 1999 are provided for information purposes only. The offering contemplated by the prospectus supplement has been completed.

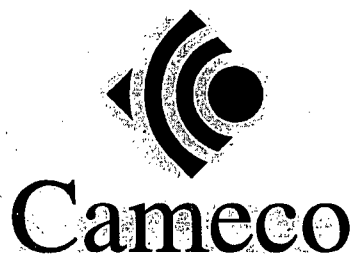
Prospectus Supplement to a Final Short Form Shelf Prospectus dated June 21, 1999

This prospectus supplement, together with the short form prospectus dated June 21, 1999, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

The securities being offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") and accordingly may not be offered or sold in the United States or to any U.S. person (as defined in Rule 902 under the 1933 Act) except in compliance with the registration requirements of the 1933 Act or pursuant to an exemption from those requirements.

New Issue

July 5, 1999



\$100,000,000

6.90% Debentures, Series A (unsecured)

To be dated July 12, 1999

To mature July 12, 2006

The 6.90% Debentures, Series A due July 12, 2006 (the "Debentures") offered hereby will be unsecured obligations of Cameco Corporation ("Cameco" or "the Company"). The Debentures will be dated July 12, 1999, will mature on July 12, 2006 and will have an interest rate of 6.90% per annum, calculated and payable semi-annually in arrears on July 12 and January 12 in each year, commencing January 12, 2000. See "Details of the Offering" for particulars of the material attributes of the Debentures.

In the opinion of counsel, the Debentures offered hereby, if issued on the date hereof, would be eligible for investment under those statutes set forth under the heading "Eligibility for Investment".

	Price to Public	Underwriters' Fee ⁽¹⁾	Net Proceeds to Cameco ⁽²⁾
Per \$1,000 principal amount of Debentures	Non-fixed Price	\$6.50	\$988.10
Total	Non-fixed Price	\$650,000	\$98,810,000

(1) The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Debentures by purchasers exceeds, or is less than, the aggregate price paid by the Underwriters to Cameco for the Debentures.

(2) Before deducting expenses of this offering estimated to be \$300,000 which, together with the Underwriters' fee, will be paid out of the general funds of Cameco. The Underwriters have agreed to purchase from the Company the Debentures at 99.46% of their principal amount, plus accrued interest, if any, from July 12, 1999 to the date of delivery, subject to the terms and conditions of the Underwriting Agreement described under "Plan of Distribution".

The Debentures will be offered to the public at prices to be negotiated between each purchaser and the Underwriters. Accordingly, the price at which the Debentures will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Debentures.

The Debentures will not be listed on any securities exchange and there can be no assurance that there will be a secondary market for the Debentures.

The Underwriters, as principals, conditionally offer the Debentures subject to prior sale, if, as and when issued by Cameco and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Cameco by MacPherson Leslie & Tyerman and on behalf of the Underwriters by Borden & Elliot.

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on July 12, 1999 or on such other date as Cameco and the Underwriters may agree but not later than August 12, 1999 and that Debentures in definitive form will be available for delivery at closing.

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DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying short form shelf prospectus of Cameco dated June 21, 1999 (the "short form prospectus") solely for the purpose of the Debentures offered hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the short form prospectus and reference should be made to the short form prospectus for full particulars.

Any statement contained in the short form prospectus, in this prospectus supplement or in any document incorporated or deemed to be incorporated by reference into the short form prospectus for the purpose of the offering of the Debentures shall be deemed to be modified or superseded, for the purposes of this prospectus supplement, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded shall not constitute a part of this prospectus supplement, except as so modified or superseded.

ELIGIBILITY FOR INVESTMENT

The Debentures offered hereby will not be precluded as investments, in each case subject to compliance with the prudent investment standards and general investment provisions and in certain cases subject to general investment standards and the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals, under or by the following statutes and, where applicable, the relevant regulations:

Trust and Loan Companies Act (Canada)

Insurance Companies Act (Canada)

Pension Benefits Standards Act, 1985
(Canada)

Financial Institutions Act (British Columbia)

Employment Pension Plans Act (Alberta)

Pension Benefits Act (Ontario)

The Pension Benefits Act, 1992
(Saskatchewan)

An Act respecting insurance (Quebec) (in respect of insurers, other than mutual insurance associations, professional orders and guaranteed fund corporations)

Supplemental Pension Plans Act (Quebec)

An Act respecting Trust Companies and Savings Companies (Quebec) (in respect of trust companies and savings companies investing their own funds and, in the case of trust companies, funds received as deposits)

In the opinion of MacPherson Leslie & Tyerman and Borden & Elliot, the Debentures offered hereby will, on the date of closing, be qualified investments under the *Income Tax Act (Canada)* and the Regulations thereunder for trusts governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or deferred profit sharing plan and will not be a prohibited investment for a registered pension plan under such Act, except that the Debentures will not be a qualified investment for a trust governed by a deferred profit sharing plan for which any of the employers is Cameco or a corporation which does not deal at arm's length with Cameco.

USE OF PROCEEDS

The estimated net proceeds to Cameco from this offering, after deducting the Underwriters' fee and the estimated expenses of this offering, will be \$98,510,000. Cameco intends to use the net proceeds from this offering to repay commercial paper as it matures.

DETAILS OF THE OFFERING

The Debentures offered hereby will be issued under the trust indenture to be dated July 12, 1999 (the "Trust Indenture") between Cameco and CIBC Mellon Trust Company, as trustee (the "Trustee"), as supplemented by the first supplemental trust indenture to be dated July 12, 1999 (the "First Supplemental Indenture") providing for, among other things, the creation and issue of the Debentures. The Trust Indenture is described in the short form prospectus. The Trust Indenture and First Supplemental Indenture are herein collectively referred to as the "Indenture".

The following description of the Debentures is a brief summary of their material attributes and characteristics, which does not purport to be complete. For full particulars, reference should be made to the short form prospectus and the Indenture.

General

The Debentures will be limited to \$100,000,000 aggregate principal amount, will be dated July 12, 1999, will bear interest at the rate of 6.90% per annum from July 12, 1999 and will mature on July 12, 2006. Principal and interest (payable semi-annually on July 12 and January 12) on the Debentures will be payable in lawful money of Canada. The first interest payment will be due on January 12, 2000.

Redemption by Cameco

The Debentures will be redeemable at the option of the Company at any time and from time to time, in whole or in part, upon not more than 60 days and not less than 30 days prior notice, at the higher of the Canada Yield Price (as defined below) and par, together in each case with accrued and unpaid interest to the date fixed for redemption.

Where less than all of the Debentures are to be redeemed pursuant to their terms the Debentures to be so redeemed will be redeemed on a pro rata basis according to the principal amount of Debentures registered in the respective name of each holder of Debentures or by lot by the Trustee in such manner as the Trustee may consider equitable.

For the purpose of the foregoing provisions, the following terms will be defined in the First Supplemental Indenture substantially as follows:

"Canada Yield Price" shall mean a price equal to the price of the Debentures calculated to provide a yield to maturity, compounded semi-annually, equal to the Government of Canada Yield plus 0.25% on the business day preceding the day notice of redemption is given.

"Government of Canada Yield" on any date for the Debentures shall mean the yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity (calculated from the redemption date) of the Debentures. The Government of Canada Yield will be the arithmetic average of the percentage yield provided by two specified Canadian investment dealers selected by the Company.

Purchase of Debentures

The Company may, at any time and from time to time, purchase Debentures in the market or by tender or contract, at any price. Debentures so purchased will be cancelled and no Debentures will be issued in substitution therefor.

Depository Services

Except as otherwise provided below, Debentures will be represented in the form of fully registered global Debentures (the "Global Debentures") held by, or on behalf of, The Canadian Depository for Securities Limited or a successor (collectively, "CDS") as custodian of the Global Debentures (for its participants) and registered in the name of CDS or its nominee, and registrations of ownership and transfers of the Debentures will be made only through the depository service of CDS. On the closing date of this offering of Debentures,

CDS will credit interests in the Global Debentures representing the Debentures to the accounts of its participants as directed by the Underwriters.

Except as described below, no purchaser of a Debenture will be entitled to a certificate or other instrument from the Company or CDS evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in a Debenture will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of beneficial owners. Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the Underwriter from whom the Debenture is purchased in accordance with the practices and procedures of the Underwriter. The practices of the Underwriters may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in Global Debentures. Sales of interests in Global Debentures can only be completed through participants in the depository service of CDS.

Debentures will be issued in fully registered form to holders or their nominees, if any, who purchase the Debentures pursuant to the private placement of Debentures made in reliance upon Rule 144A adopted under the 1933 Act, and to transferees thereof in the United States who purchase such Debentures. If any such privately placed Debentures are subsequently traded outside of the United States, the Trustee will deliver a certificate registered in the name of CDS or its nominee representing such Debentures and, thereafter, registration of ownership and transfers of such Debentures will be made through the depository system of CDS.

Except in the case of U.S. purchasers purchasing the Debentures under Rule 144A, Debentures will be issued in fully registered form ("Definitive Debentures") to holders or their nominees, other than CDS or its nominee, only if (i) the Company determines that CDS is no longer willing or able to discharge properly its responsibilities as depository and the Company is unable to locate a qualified successor, (ii) the Company at its option elects to terminate the book-entry system through CDS, (iii) required by applicable law, or (iv) the depository system of CDS ceases to exist.

Upon becoming aware of the occurrence of any events described in the immediately preceding paragraph, the Trustee must notify CDS, for and on behalf of the participants and beneficial holders of Debentures, that the book-entry system has terminated and that the Debentures will be represented by certificates in fully registered form. Upon surrender by CDS of the Global Debentures and receipt of instructions from CDS for the new registrations, the Trustee will deliver the Debentures in fully registered form and thereafter the Company will recognize the holders of a beneficial interest in such Debentures as Debentureholders under the Indenture.

The Company, the Underwriters and the Trustee, as applicable will not have any liability or responsibility for: (i) records maintained by CDS relating to beneficial ownership interest in the Debentures held by CDS or the book-entry accounts maintained by CDS, or (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interest, or (iii) any advice or representation made by or with respect to CDS and contained herein or in the Indenture with respect to the rules and regulations of CDS or any action to be taken by CDS or at the direction of the participants.

Transfers of Debentures

Transfers of ownership of Debentures represented by Global Debentures will be effected through records maintained by CDS or its nominee for such Global Debentures (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the depository services of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Global Debentures, may do so only through participants in the depository service of CDS.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to the lack of a physical certificate.

The registered holder of a Definitive Debenture may transfer it upon payment of any taxes and transfer fees incidental thereto by executing a form of transfer and returning it along with the Definitive Debenture to the principal corporate trust office of the Trustee in the City of Winnipeg, or such other office as the Company may,

with the approval of the Trustee, designate for issuance of one or more new Definitive Debentures in authorized denominations in the same aggregate principal amount registered in the name(s) of the transferee(s). The Trustee is not required to register any transfer of a Definitive Debenture within 10 business days immediately preceding any day fixed for payment of interest or principal.

RATINGS

The Debentures have received a rating of "A" from Dominion Bond Rating Service Limited ("DBRS"), "A-" from Standard & Poor's Rating Service ("S&P") and "A3" by Moody's Investors Service, Inc. ("Moody's"). The credit ratings accorded to the Debentures by these rating agencies are not recommendations to purchase, hold or sell the Debentures inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

DBRS rates debt instruments by rating categories ranging from a high of "AAA" to a low of "C". The rating of "A" from DBRS is characterized as "satisfactory credit quality" and is the third highest of nine available rating categories. S&P rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "CC". The rating of "A-" from S&P indicates that the Debentures are at the lower end of the "A" category. The "A" category is characterized as "has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories" and is the third highest of the eight available categories. Moody's rates debt instruments by rating categories ranging from a high of "Aaa" to a low of "C". The rating of "A3" from Moody's indicates that the Debentures rank in the lower end of the "A" category which is characterized as "bonds which possess many favourable investment attributes and are to be considered as upper-medium grade obligations" and is the third highest of the eight available rating categories.

INTEREST AND ASSET COVERAGES

The following interest and asset coverages, which give effect to this offering and the use of proceeds therefrom, are calculated, with respect to interest coverage on long-term debt, for the twelve month periods ended, and, with respect to net tangible asset coverage on long-term debt as at, December 31, 1998 and March 31, 1999, respectively. The application of the proceeds from the Cogema Sale (as defined in the short form shelf prospectus dated June 21, 1999) are not reflected (on a pro forma basis) in these coverages.

	<u>December 31, 1998</u>	<u>March 31, 1999</u>
Interest coverage on long-term debt	3.8 times	3.1 times
Net tangible asset coverage per \$1,000 of long-term debt	\$4,346	\$4,153

(1) Under U.S. GAAP, distributions on Preferred Securities would have been included in interest expense and Preferred Securities included in long-term debt. If distributions on Preferred Securities had been included in interest expense, the interest coverage on long-term debt would have been 3.3 times and 2.5 times for the twelve month periods ended December 31, 1998 and March 31, 1999, respectively. If Preferred Securities had been included in long-term debt, the net tangible asset coverages per \$1,000 of long-term debt would have been \$3,270 and \$3,181, as at December 31, 1998 and March 31, 1999, respectively. For a description of Preferred Securities, see note 11 of the Consolidated Financial Statements of Cameco as at December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996 and related notes.

PLAN OF DISTRIBUTION

Under an underwriting agreement (the "Underwriting Agreement") dated July 5, 1999 between RBC Dominion Securities Inc. and TD Securities Inc. (the "Underwriters") and Cameco, Cameco has agreed to sell and the Underwriters have agreed to purchase on July 12, 1999 or such other date as may be agreed upon, but not later than August 12, 1999 subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, \$100,000,000 principal amount of Debentures at a price equal to 99.46% of their principal amount, plus accrued interest (if any) from July 12, 1999 to the date of delivery, payable in cash to Cameco against delivery of Debentures. The Underwriting Agreement provides that

Cameco will pay the Underwriters a fee of \$650,000 on account of underwriting services rendered in connection with this offering. The Underwriters' fee will be paid out of the general funds of Cameco.

The Debentures will be offered to the public at prices to be negotiated by the Underwriters with purchasers. Accordingly, the price at which the Debentures will be offered and sold to the public may vary as between purchasers and during the period of distribution of the Debentures. The Underwriters' overall compensation will increase or decrease by the amount by which the aggregate price paid for the Debentures by the purchasers exceeds or is less than the gross proceeds paid by the Underwriters to Cameco.

This offering of Debentures is made to residents of Canada. The Debentures have not been, and will not be, registered under the 1933 Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the 1933 Act, including Rule 144A thereunder. The Underwriters have agreed not to offer or sell any of the Debentures within the United States, except in such an exempt transaction. In addition, until 40 days after the commencement of the offering of the Debentures, an offer or sale of the Debentures within the United States or to any U.S. person by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an appropriate exemption from the registration requirements of the 1933 Act. Certain terms used in this paragraph have the meanings given to them by Regulation S under the 1933 Act.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion based upon the occurrence of certain stated events. In the event that an Underwriter fails to purchase the Debentures which it has agreed to purchase under the Underwriting Agreement, the other Underwriters may purchase, but are not obligated to purchase, all but not less than all of the Debentures. Cameco is not obligated to sell less than all of the Debentures.

Cameco has been advised by the Underwriters that, in connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

CERTIFICATE OF THE COMPANY

Dated: July 5, 1999

The short form prospectus dated June 21, 1999, together with the documents incorporated therein by reference, as supplemented by the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by such prospectus and this supplement as required by the securities laws of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

"BERNARD M. MICHEL"
(Signed) BERNARD M. MICHEL
Chair, President and Chief Executive Officer

"DAVID M. PETROFF"
(Signed) DAVID M. PETROFF
Senior Vice President, Finance
and Administration and Chief Financial Officer

"DR. J.W. GEORGE IVANY"
(Signed) DR. J.W. GEORGE IVANY
Director

"GEORGE S. DEMBROSKI"
(Signed) GEORGE S. DEMBROSKI
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: July 5, 1999

To the best of our knowledge, information and belief, the short form prospectus dated June 21, 1999, together with the documents incorporated therein by reference, as supplemented by the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by such prospectus and this supplement as required by the securities laws of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

"GARY A. SUGAR"

By: (Signed) GARY A. SUGAR

"JIM G. MCMINN"

By: (Signed) JIM G. MCMINN

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of:

RBC DOMINION SECURITIES INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank; and

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

Short Form Shelf Prospectus dated June 21, 1999

This short form prospectus has been filed under procedures in the provinces of Canada which permit certain information with respect to the securities to be determined after the prospectus has become final and permit the omission from this prospectus of such information. Such procedures require the delivery to purchasers of a prospectus or a prospectus supplement containing this omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

The securities being offered pursuant to this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") and accordingly may not be offered or sold in the United States or to any U.S. person (as defined in Rule 902 under the 1933 Act) except in compliance with the registration requirements of the 1933 Act or pursuant to an exemption from those requirements.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Cameco Corporation, 2121 - 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. (Telephone (306) 956-6200). For the purposes of the province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary at the above-mentioned address and telephone number.

New Issue



Cameco

\$300,000,000

Debt Securities (unsecured)

Cameco Corporation ("Cameco" or the "Company") may from time to time during the two-year period that this short form shelf prospectus, including any amendments, remains valid, offer for sale and issue debt securities of the Company (the "Debt Securities") in an aggregate principal amount of up to \$300 million (or the equivalent amount if any Debt Securities are denominated in a currency other than Canadian dollars), or if any Debt Securities are offered at an original issue discount, such greater amount as will result in an aggregate offering price of up to \$300 million (or the equivalent amount if any Debt Securities are denominated in a currency other than Canadian dollars). The Debt Securities may be offered in one or more series in registered or bearer form or both, with or without coupons attached, or in the form of temporary or global securities, in amounts, at prices and on terms to be determined at the time of sale. The specific designation, aggregate principal amount, denominations, currency, maturity date, interest rate (which may be fixed or variable) and time of payment of interest, any terms for redemption at the option of the Company or the holder, any terms for making sinking fund payments, the initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis) and any other terms in connection with the offering and sale of any series of Debt Securities in respect of which this short form prospectus is being delivered will be set out in a prospectus supplement relating thereto (a "Prospectus Supplement").

Cameco may sell Debt Securities to or through underwriters or dealers or to purchasers directly or through agents. See "Plan of Distribution". The applicable Prospectus Supplement will set out the names of any underwriters, dealers or agents involved in the sale of the Debt Securities, the principal amount (if any) to be purchased by underwriters and the compensation of such underwriters, dealers or agents. Unless otherwise indicated in a Prospectus Supplement, an offering of Debt Securities will be subject to approval of certain legal matters on behalf of Cameco Corporation by MacPherson Leslie & Tyerman.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Company which have been filed with the various provincial securities commissions or similar regulatory authorities in each of the provinces of Canada, unless otherwise indicated below, are specifically incorporated by reference and are an integral part of this short form prospectus.

- (a) the Annual Information Form of Cameco dated March 12, 1999 (the "Annual Information Form"), including Management's Discussion and Analysis (the "Management's Discussion and Analysis") and the Consolidated Financial Statements of Cameco as at December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996 and related notes, together with the auditors' report thereon (the "Financial Statements"), contained therein;
- (b) the Interim Report of Cameco for the three months ended March 31, 1999 (the "Interim Report");
- (c) the Management Proxy Circular of Cameco dated April 1, 1999, in connection with the Annual Meeting of Shareholders held May 5, 1999 (excluding the disclosure set forth under the headings "Report on Executive Compensation" and "Composition of the Compensation and Human Resources Committee");
- (d) Material Change Report dated April 1, 1999 relating to an agreement between Cameco Europe S.A., Compagnie Generale des Matieres Nucleaires, Nukem Inc., Nuklear GmbH and AO Techsnabexport relating to the purchase and sale of highly enriched uranium; and
- (e) Material Change Report dated May 14, 1999 relating to the sale by the Company of certain uranium assets to Cogema Resources, Inc.

All documents of the type referred to above (excluding confidential material change reports) which are filed by Cameco with a securities commission or any similar authority in Canada after the date of this Prospectus and prior to the termination of the offering of Debt Securities shall be deemed to be incorporated by reference to this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Cameco will provide without charge to each person to whom a copy of this short form prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents that are incorporated herein by reference. Requests should be directed to Cameco Corporation at 2121 - 11th Street West, Saskatoon, Saskatchewan, S7M 1J3, Attention: Secretary, Telephone number (306) 956-6200.

Upon a new annual information form and the related annual financial statements being filed by the Company with, and, where required, accepted by, the applicable securities regulatory authorities during the currency of this short form prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, material change reports and annual filings or information circulars filed before the commencement of Cameco's fiscal year in which the new annual information form is filed will be deemed no longer to be incorporated by reference into this short form prospectus for purposes of future offers and sales of Debt Securities under this short form prospectus.

A Prospectus Supplement containing the specific terms in respect of any series of Debt Securities, updated disclosure of interest and asset coverage ratios (if applicable) and other information in relation to any series of Debt Securities will be delivered to purchasers of such Debt Securities, together with this short form prospectus, and will be deemed to be incorporated into this short form prospectus as of the date of such Prospectus Supplement. Similarly, any Prospectus Supplement supplying any additional or updated information that the Company may elect to include (provided that such information does not describe a material change that has not already been the subject of a material change report or a prospectus amendment) will be delivered to purchasers of Debt Securities together with this short form prospectus and will be deemed to be incorporated into this short form prospectus as of the date of the Prospectus Supplement.

All references in this short form prospectus to "\$" and "dollars" are to Canadian dollars, unless otherwise stated.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in (i) this Prospectus, including information under the heading "The Company", (ii) Cameco's Annual Information Form, including information under the headings "General Development of the Business", "Narrative Description of the Business", "Government Regulation", "Risk Factors", "Environmental Matters" and "Management's Discussion and Analysis" and (iii) Cameco's Interim report for the three months ended March 31, 1999, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from future results, levels of activity and achievements expressed or implied by such forward-looking statements. Such factors include among others: volatility and sensitivity to market prices for uranium and gold, competition, the impact of changes in foreign currency exchange rates, imprecision in reserve estimates, environmental risks including risks related to long-term hazardous waste storage, unexpected geological conditions, political risk arising from operating in certain developing countries, a possible deterioration in political support for nuclear energy, changes in government regulation and policies including trade laws and policies, demand for nuclear power, replacement of production, receipt of permits and approvals from government authorities and other operating and development risks. As a result of the foregoing and other factors, no assurances can be given as to the future results, levels of activity and achievements of the Company.

THE COMPANY

General

Cameco is the world's largest uranium producer. The Company's competitive position is based on its large high-grade reserves and low-cost operations. Cameco is also one of the largest commercial providers of uranium conversion services in the world. Cameco sells its uranium for use by electric utilities in the nuclear generation of electricity.

The Company has increased its production of uranium concentrate (U_3O_8 or triuranium octoxide) from 13 million pounds in 1993 to 27 million pounds in 1998, the latter being approximately 40% of 1998 Western World production. As used in this Prospectus, "Western World" is a uranium industry term and generally refers to those countries outside the Republics of the Commonwealth of Independent States (the "CIS"), Eastern Europe and the People's Republic of China.

In addition to uranium mining, Cameco is one of four commercial converters of uranium concentrate to UF_6 (uranium hexafluoride) in the Western World.

While Cameco continues its principal focus on the uranium business, it is also in the gold business. Cameco has brought into commercial production the large Kumtor gold project in the Kyrgyz Republic in Central Asia. The Company continues to actively explore for uranium and gold in a number of countries around the world.

On March 24, 1999 Cameco Europe S.A., a wholly-owned subsidiary of Cameco, along with Compagnie Generale des Matieres Nucleaires of France, Nukem Inc. of the United States and Nuklear GmbH of Germany, signed a commercial agreement with AO Technobexport, the commercial arm of the Russian Federation Ministry of Atomic Energy, for the option to purchase natural uranium derived from highly-enriched uranium contained in Russian nuclear weapons. See "Recent Developments — HEU Commercial Agreement".

On May 5, 1999 Cameco announced a transaction (the "Cogema Sale") in which Cogema Resources Inc. ("Cogema Canada") will indirectly acquire an interest in certain uranium assets of the Company for approximately \$243 million. See "Recent Developments — Cogema Sale".

The Company's registered and principal office is located at 2121 - 11th Street West, Saskatoon, Saskatchewan, S7M 1J3.

Nuclear Business

Overview

The only significant commercial use for uranium is to fuel nuclear power plants for the generation of electricity. The major stages in the production of nuclear fuel are uranium exploration, mining and milling, refining and conversion, enrichment for light water reactors, and fuel fabrication. Once a uranium deposit is discovered and reserves delineated, uranium ore is mined and processed at a mill to produce uranium concentrates. Mining companies which do not operate conversion service facilities usually sell uranium concentrates to electrical generating companies ("utilities") around the world on the basis of the contained U_3O_8 . Utilities then contract with converters, enrichers and fuel fabricators to produce the required reactor fuel. Cameco provides refining and conversion (collectively referred to as "conversion services") to customers in addition to selling uranium concentrates.

Uranium Demand

The demand for U_3O_8 is directly linked to the level of electricity generated by nuclear power plants. Annual Western World uranium fuel consumption has increased from approximately 56 million pounds U_3O_8 in 1980 to about 137 million pounds in 1997 (the last year for which final figures are available). The Uranium Institute estimates that annual uranium fuel consumption in the Western World will reach 153 million pounds in 2010, reflecting an annual compounded growth rate of 1% over the period from 1997 to 2010. Demand could be increased by the current trend toward improving plant operating capacities and extension of operating licences or reduced by the premature closing of some nuclear power plants.

Uranium Supply

Primary Production

The uranium production industry is international in scope with a small number of companies operating in relatively few countries. In 1998, approximately 71% of the estimated world production of 86 million pounds U_3O_8 was from six producers: Cameco, Compagnie Generale des Matieres Nucleaires, Energy Resources of Australia and Rio Tinto in the Western World, and Priargunsk Industrial Mining and Chemical Enterprise and NAVOI Mining and Metallurgical Kombinat in the CIS. Approximately 93% of estimated world production was from 10 countries (in order of production, from greatest to least): Canada, Australia, Niger, Namibia, Russia, Uzbekistan, U.S., Kazakhstan, South Africa and France.

The Canadian uranium industry has, in recent years, been the leading world supplier with production of approximately 28 million pounds U_3O_8 in 1998, or about 40% of Western World production. Cameco's production in 1998 from its Canadian mines was about 26 million pounds.

Subject to certain restraints described below, all primary production is available to meet the demand of the nuclear power industry in the Western World.

Secondary Sources

Since 1985, annual Western World uranium production has been less than uranium consumption by utilities. 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 CIS government inventories) have been and continue to be a significant source of supply. Utilities in Europe and Japan also use reprocessed uranium and plutonium derived from used reactor fuel as a source of supply, however, this source is expected to meet less than 6% of Western World demand in the period up to 2010. In recent years, another source has been the use of excess Russian enrichment capacity to re-enrich depleted uranium tails or waste held by European enrichers. Finally, uranium derived from the dismantling of nuclear weapons is expected to become a significant source over the next several years as Russian and U.S. military inventories become available to the market. See "Recent Developments — HEU Commercial Agreement".

USEC Privatization

In July, 1998, the United States Enrichment Corporation ("USEC") was privatized through an initial public offering. In filing documents USEC disclosed it had a uranium inventory of approximately 75 million pounds U_3O_8 equivalent, including transfers from the U.S. Department of Energy ("DOE") of 13 million pounds derived from the dismantling of U.S. nuclear weapons. See "Uranium from Nuclear Disarmament". Of this total, USEC plans to sell 62 million pounds in the long-term market from 1999 to 2005.

Uranium from Nuclear Disarmament

In February, 1993, the U.S. and Russia entered into an agreement (the "Russian HEU Agreement") to convert 500 tonnes of highly-enriched uranium ("HEU"), derived from dismantling nuclear weapons ("disarmament uranium"), into low-enriched uranium ("LEU") suitable for use in nuclear power plants.

Provisions in the United States Enrichment Corporation Privatization Act ("USEC Privatization Act") regulate the introduction of Russian disarmament uranium into the U.S. market. The annual quota for sales in the U.S. of Russian disarmament uranium commenced in 1998 at 2 million pounds U_3O_8 . This quota increases by 2 million pounds per year until 2005 and by 1 million pounds per year thereafter to a maximum of 20 million pounds per year. Sales of Russian disarmament uranium can be made outside the U.S., but are subject to a number of trade restrictions and policies. This material may also be used in the U.S. for matched sales with newly-mined U.S. origin material under the Russian suspension agreement. See "Trade Restraints".

In 1995 and 1996, Russia delivered 14 million pounds of disarmament uranium, all of which was purchased by the DOE. About 5 million pounds was subsequently repurchased by Russia for matched sales in the U.S. DOE has agreed to purchase about 29 million pounds of the 1997 and 1998 Russian deliveries as part of a series of bilateral agreements between the governments of Russia and the U.S. Russia is scheduled to deliver about

16 million pounds U_3O_8 in 1999 and 24 million pounds each year thereafter until the disarmament uranium derived from the entire 500 tonnes (which represents approximately 400 million pounds of natural uranium as U_3O_8) included under the Russian HEU Agreement has been delivered. See "Recent Developments — HEU Commercial Agreement".

The USEC Privatization Act also provides for the transfer to USEC for resale of about 13 million pounds U_3O_8 derived from the dismantling of U.S. nuclear weapons. This material is to be transferred to USEC over the next several years. The USEC Privatization Act restricts the sale of this uranium in the U.S. to a maximum of 4 million pounds per year.

Trade Restraints

The U.S. government and the European Union ("EU") have limited the access of CIS uranium producers to their respective markets. In the U.S., there are suspension agreements which provide for a determination by the U.S. Department of Commerce ("DOC") of quotas to regulate uranium importation into the U.S. by Uzbekistan and Russia. The agreement with Uzbekistan establishes an annual quota based on the level of U.S. production and is approximately 0.85 million pounds U_3O_8 per year. The Russian suspension agreement, as amended, allows approximately 4 million pounds of Russian U_3O_8 per year to be imported into the U.S. for a period of 10 years, but only to the extent it is matched in sales with an equal volume of new U.S. production.

DOC restarted its anti-dumping investigation of Kazakh uranium on January 19, 1999, after Kazakhstan terminated its suspension agreement. The International Trade Administration of the DOC ("ITA") on June 4, 1999 issued its final determination, ruling that Kazakh uranium had been sold at less than fair market value in 1991 with a dumping margin of 115.82%. The investigation now moves to the United States International Trade Commission ("ITC"), which will make a final determination as to whether the sales at less than fair market value injure or threaten injury to the U.S. uranium industry. The ITC is expected to make its final determination in July, 1999. The ITA declined to make a ruling on the question of enrichment in a foreign country of Kazakh uranium which has the effect of changing the origin of such uranium to the country of enrichment. If the ITC imposes dumping duties in its final determination, then the ITA will initiate a scope inquiry on these enrichment transactions.

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

The U.S. and EU restrictions have no effect on the sales of CIS uranium to other countries. About one-quarter of Western World uranium requirements arise from utilities in countries unaffected by the U.S. and EU restrictions. In 1998, approximately 23% of Cameco's sales volumes were to countries not subject to U.S. or EU restrictions.

Uranium Conversion Services

Cameco owns and operates Canada's only uranium processing facilities. Cameco's facility at Blind River, Ontario refines uranium concentrates into nuclear grade UO_3 (uranium trioxide), all of which is shipped to Port Hope, Ontario for conversion into either UF_6 (uranium hexafluoride) or UO_2 (uranium dioxide). The UF_6 produced is shipped to enrichment plants in the United States, Europe and Japan where it is processed before it becomes nuclear fuel for light water reactors. The UO_2 produced is used in heavy water nuclear reactors such as the Canadian CANDU nuclear reactors or as blanket fuel for light water nuclear reactors.

The Western World UF_6 conversion industry consists of four commercial producers with an annual UF_6 conversion capacity of about 45,000 tonnes of uranium as of December 31, 1998. Cameco's annual UF_6 conversion capacity constitutes approximately 28% of the Western World UF_6 conversion capacity. See "Recent Developments — Uranium Market Developments".

Cameco competes on the basis of price, location and service with the three other full-scale commercial producers in the Western World. It also competes with additional supplies from excess western inventories available on the secondary or "spot" market, Russian inventory sales in the form of LEU, and Russian and U.S.

disarmament uranium. Under the USEC Privatization Act, the conversion component of disarmament uranium is not restricted and therefore available to the market, with the exception of any quantities retained by Russia.

Uranium Mining Properties

The Company's current producing activities are conducted through its two large uranium mines in Saskatchewan, the Key Lake mine and the Rabbit Lake mine, and its two in-situ leach operations in the United States, Crow Butte and Highland.

Key Lake

The Key Lake mine is owned by Cameco (66⅔%) and UEM, Inc. (33⅓%), a wholly-owned subsidiary of Cameco, and operated by Cameco. Production for 1998 was approximately 14.0 million pounds U₃O₈. At December 31, 1998, there were 12.4 million pounds of estimated reserves in ore with an average grade of 1.1% U₃O₈. The last of the Key Lake ore reserves were mined out in April, 1997 and the ore stockpiled. Production from the ore stockpile is expected to be approximately 7.2 million pounds in the first half of 1999. Thereafter, the mill at Key Lake will be shut down for modifications to allow for the processing of McArthur River ore in late 1999. Construction licenses for mill modifications were received in 1998. The cost to modify the mill is budgeted at \$24 million. Cameco has entered into an agreement with Cogema Canada which will see Cogema Canada acquire one-half of the shares of UEM, Inc. through a share subscription. Upon this transaction closing, Cogema Canada will obtain indirectly a 16.667% interest in the Key Lake Mine. See "Recent Developments — Cogema Sale".

Rabbit Lake

The Rabbit Lake mine is owned by Cameco (66⅔%) and UEM, Inc. (33⅓%), a wholly-owned subsidiary of Cameco, and operated by Cameco. Production for 1998 was 11.7 million pounds U₃O₈. At December 31, 1998, there were estimated reserves of 37.1 million pounds in ore with an average grade of 1.3% U₃O₈ and estimated resources of 6.3 million pounds in ore with an average grade of 1.0% U₃O₈. The mine suspended operation at the end of the first quarter of 1999 pursuant to a decision made by Cameco in November, 1998. The plan is to maintain the mine on a care and maintenance basis until it is restarted likely in conjunction with the proposed milling of Cigar Lake ore at the Rabbit Lake mill. A decision was also made in late 1998 to reduce annual Rabbit Lake mill production for the next two years from 12 million pounds to 6.0 million pounds. As part of the Cogema Sale, UEM, Inc.'s interest in the Rabbit Lake mine will be transferred to Cameco, resulting in direct ownership by Cameco of 100% of the Rabbit Lake mine.

Subject to regulatory approval, the current plans are for approximately 57% of the ore from the Cigar Lake mine to be processed at the Rabbit Lake mill (provided that a minimum of five million pounds annually is to be milled at the McClean Lake mill operated by Cogema Canada). Deliveries of this ore to the Rabbit Lake mill are expected to commence in 2003 and continue for approximately 10 years. To process the Cigar Lake ore, modifications to the Rabbit Lake mill will be required at a cost of approximately \$40 million. An environmental impact statement for the processing of Cigar Lake ore is expected to be filed with regulators during the second half of 1999.

Crow Butte

Crow Butte is an in-situ leach uranium operation near Crawford, Nebraska which has been in production since 1991. Cameco holds a 90% interest in Crow Butte through two wholly-owned subsidiaries, UUS Inc. (57.691%) and Geomex Minerals, Inc. ("Geomex") (32.309%). The remaining 10% share is owned by KEPCO Resources America, Ltd., a subsidiary of Korea Electric Power Company. In 1998, Cameco's share of Crow Butte production was 655,000 pounds U₃O₈. At December 31, 1998 Cameco's share of reserves and resources was 10.2 million pounds and 25.0 million pounds, respectively.

Highland

Highland is an in-situ leach uranium operation located near the towns of Glenrock and Douglas, Wyoming. It is owned by Cameco through its wholly-owned subsidiaries, Power Resources Inc. ("PRI") and Geomex and is

operated by PRI. Production in 1998 was 1.1 million pounds U_3O_8 . At December 31, 1998 Highland had reserves and resources of 7.9 million and 5.2 million pounds, respectively.

Uranium Development Projects

Cameco has four uranium development projects: McArthur River and Cigar Lake in Saskatchewan, Gas Hills in Wyoming and Inkai in Kazakhstan. Cameco expects production to begin at McArthur River in late 1999 and at Cigar Lake in late 2001 or 2002. The Gas Hills project in Wyoming is being prepared for licensing; however, production will likely be delayed past the planned start-up date of 2000. Development of Inkai is continuing with test mining expected to commence in 1999 or 2000.

Continued development and production at these four projects is subject to the timely receipt of all necessary federal, provincial, state and municipal government approvals, permits and licenses. In the case of Cigar Lake, development and production is also dependent on the successful implementation, on an industrial scale, of innovative technology which has been proven in test mining.

McArthur River

The McArthur River project contains the world's largest known high-grade uranium deposit and is operated by Cameco. Prior to giving effect to the Cogema Sale, Cameco's share of reserves is 213.8 million pounds U_3O_8 in ore with an average grade of 17.3% U_3O_8 and resources of 190.8 million pounds in ore with an average grade of 12.0% U_3O_8 . The McArthur River project is owned by joint venture partners Cameco (55.844%), UEM, Inc. (27.922%), a wholly-owned subsidiary of Cameco, and Cogema Canada (16.234%). Construction and development of McArthur River is on schedule and production, subject to receipt of an operating license, is expected to commence in late 1999. Cameco has entered into an agreement with Cogema Canada which will see Cogema Canada acquire one-half of the shares of UEM, Inc. through a share subscription. Upon this transaction closing, Cogema Canada will acquire indirectly a further 13.961% of the McArthur River project, resulting in Cameco and Cogema Canada directly or indirectly owning 69.805% and 30.195% thereof, respectively. See "Recent Developments — Cogema Sale".

A memorandum of agreement has been entered into by the McArthur River joint venture partners which contemplates toll milling of McArthur River ore at the Key Lake mill. Accordingly, there will be no mill at McArthur River. Use of the existing Key Lake mill will generate toll milling revenue for the Key Lake joint venture partners and will also reduce capital costs and eliminate the need for a McArthur River tailings facility.

Cigar Lake

Cigar Lake is the world's second largest known high-grade uranium deposit and Cameco's share of proven and probable reserves is 172.2 million pounds U_3O_8 in ore with an average grade of 13.6% U_3O_8 . The project is owned by the joint venture partners Cameco (50.025%), Cogema Canada (37.1%), Idemitsu Uranium Exploration Canada Ltd. (7.875%) and TEPCO Resources Inc. (5.0%). An application for a construction license by the operator is expected to be made in late 1999. The operator is Cigar Lake Mining Corporation (owned by the joint venture partners).

A memorandum of understanding among the joint venture partners contemplates that Cameco will be the mine operator upon approval of mine development by the joint venture partners. Subject to regulatory approval, the current plans are for approximately 57% of the ore from the Cigar Lake mine to be processed at the Rabbit Lake mill (provided that a minimum of five million pounds annually is to be milled at the McClean Lake mill operated by Cogema Canada). Deliveries of this ore to the Rabbit Lake mill are expected to commence in 2003 and continue for approximately 10 years.

Gas Hills

The Gas Hills project is an in-situ leach project with total reserves and resources of 22.8 million and 56.9 million pounds U_3O_8 , respectively. The project, operated by PRI, a wholly-owned subsidiary of Cameco, is comprised of two properties owned by PRI and one owned by Geomex, a wholly-owned subsidiary of Cameco, and is located near Riverton, Wyoming. Due to current market conditions, development of the Gas Hills project

is being re-evaluated. While permitting and licensing activities are expected to continue, development and production will likely be delayed past the planned start-up date of 2000.

Inkai

Inkai is an in-situ leach project located in the Kazakh Republic. The project is owned and operated by Joint Venture Inkai limited liability partnership comprised of Cameco (60%) and KazAtomProm (40%), a company owned by the government of Kazakhstan. During 1998, Cameco and KazAtomProm reached an agreement on development of the project that will allow it to proceed to the next phase of regulatory approvals. Subject to the receipt of such approvals, further work is expected to be conducted in 1999 or 2000 to delineate reserves. Cameco has agreed to provide funding to Joint Venture Inkai of up to U.S. \$40 million for project development over the next several years.

Uranium Exploration

Cameco carries out early-stage mineral exploration on substantial landholdings, principally located in three areas: the Athabasca Region of northern Saskatchewan, the Arnhem Land region in Northern Territory, Australia and the Thelon Basin of Canada's Northwest Territories. Cameco spent approximately \$14.7 million in 1998 and approximately \$14.4 million in 1997 on uranium exploration activities. Expenditures of approximately \$10.6 million are budgeted for 1999, of which \$3.7 million was spent as of April 30, 1999.

Gold Business

Kumtor Mine

Cameco, through its wholly-owned subsidiaries Cameco Gold Inc. ("CGI") and Kumtor Mountain Company ("KMC"), holds a 33 $\frac{1}{3}$ % interest in the Kumtor gold project through its interest in the Kyrgyz joint venture company, Kumtor Gold Company ("KGC"). Cameco acquired its interest from the Kyrgyz Republic which, through a state-owned entity Kyrgyzaltyn, holds the other 66 $\frac{2}{3}$ % 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.

In 1998, the Kumtor mine in the Kyrgyz Republic produced approximately 645,000 ounces of gold in its first full year of production. Production for 1999 is expected to exceed 600,000 ounces. Conventional mining technology is utilized to recover the gold.

Gold reserves for Kumtor were restated at the end of 1998, predominately as a result of lower gold prices. As of December 31, 1998 the total remaining open pit reserves have been restated down to 4.4 million ounces and the resources have been revised up to 6.6 million ounces. The average grade for the remaining reserves has increased to 4.88 grams per tonne from 3.54 grams per tonne. The reserves published since the 1994 year end were established using a gold price of U.S. \$375 per ounce while current reserves are based on U.S. \$325 per ounce.

The London Metals Exchange gold price averaged U.S. \$294 per ounce in 1998 and has averaged U.S. \$284 per ounce during the first five months of 1999. In early June, 1999, gold has traded around U.S. \$265 per ounce.

At December 31, 1998 Cameco's total investment in KGC was U.S. \$154.4 million. Current estimates indicate that an average forward gold price of approximately U.S. \$305 per ounce would be necessary for Cameco to fully recover its investment based upon reserves reported at the end of 1998. KGC had sold forward 747,600 ounces at an average realized price of approximately U.S. \$307 per ounce, at the end of 1998. This corresponded to forecast production through the first quarter of 2000.

Cameco periodically reassesses the value at which its investment in KGC is reported in its financial statements. If Cameco determines that full recovery of the investment will not be achieved over the life of the reported Kumtor Gold mine reserves, then its carrying value will be adjusted accordingly.

As a result of certain commitments made by Cameco, Cameco may be required to advance funds to KGC in order for KGC to meet its payment obligations to senior lenders as they become due. Based on reserves reported at the end of 1998, current estimates indicate that an average forward gold price of approximately

U.S. \$250 per ounce would be necessary for KGC to meet its payment obligations to senior lenders as they become due. Following the June 1, 1999 scheduled debt payment, the outstanding indebtedness of KGC to the senior lenders was reduced to U.S. \$215.6 million.

RECENT DEVELOPMENTS

HEU Commercial Agreement

On March 24, 1999, Cameco Europe S.A., a wholly-owned subsidiary of Cameco, along with Compagnie Generale des Matieres Nucleaires ("Cogema France") of France, Nukem Inc. ("Nukem") of the United States and Nuklear GmbH of Germany (collectively the "Companies"), signed a commercial agreement with AO Technsabexport ("Tenex"), the commercial arm of the Russian Federation Ministry of Atomic Energy, for the option to purchase natural uranium derived from HEU contained in Russian nuclear weapons (the "HEU Commercial Agreement").

The weapons-derived uranium is the result of the 20-year Russian HEU Agreement signed in February, 1993 between the United States and the Russian Federation. Under the Russian HEU Agreement, 500 metric tonnes of HEU are to be diluted in Russia and delivered to the United States as LEU, suitable for use in nuclear energy plants. The LEU being delivered during the 20-year period represents approximately 400 million pounds of natural uranium as U_3O_8 , of which more than 40 million pounds has been delivered and purchased by the United States.

Under the terms of the HEU Commercial Agreement, of the approximately 360 million pounds U_3O_8 scheduled for delivery from Russia to the United States over the 15-year term remaining in the Russian HEU Agreement, the Companies have exclusive options to purchase about 260 million pounds. The balance of about 100 million pounds U_3O_8 is available to Tenex. Assuming the Companies fully exercise their options, allocation of the material available to the Companies is Cameco Europe S.A. 45%, Cogema France 45% and Nukem 10% until 2004 when the split will become 42.5%, 42.5% and 15%, respectively. Cameco Europe S.A.'s potential share of the material represents more than 100 million pounds U_3O_8 over the 15-year period.

A series of related agreements between the U.S. and Russian governments (collectively, the "Bilateral Agreement"), which are integral to the HEU Commercial Agreement, requires Tenex to return material not purchased by the Companies to Russia and allows Russia to use about 7 million pounds annually for blending down HEU to LEU. Pursuant to the 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, Russia is permitted to sell the excess into supply contracts in place on March 24, 1999, mainly with utilities in eastern Europe.

As part of the Bilateral Agreement, the DOE purchased the uranium feed component of the 1997 and 1998 deliveries for U.S. \$325 million. This material, along with an additional 30 million pounds of DOE uranium inventory, will constitute the U.S. stockpile which will also be impounded for a 10-year period.

Cogema Sale

On May 5, 1999, Cameco announced a transaction in which Cogema Canada, a wholly-owned subsidiary of Cogema France, will acquire an interest in certain uranium assets for approximately Cdn. \$243 million, subject to closing adjustments. This transaction is expected to result in a pre-tax gain to Cameco of approximately Cdn. \$63 million. Cameco intends to use the proceeds of this transaction to pay down indebtedness.

UEM, Inc., Cameco's wholly-owned subsidiary, has agreed to issue to Cogema Canada shares representing 50% of its share capital for a share subscription price of approximately Cdn. \$145 million, subject to adjustments. Cogema Canada has agreed to acquire from Cameco 50% of certain outstanding shareholder loans owed by UEM, Inc. to Cameco for a purchase price, calculated as of May 5, 1999, of approximately Cdn. \$98 million, subject to closing adjustments.

Through this share subscription and acquisition of debt, Cogema Canada will obtain an additional 13.961% interest in the McArthur River uranium project, decreasing Cameco's ownership in McArthur River from 83.766% to 69.805%, and a 16.667% interest in the Key Lake uranium mine (where McArthur River ore will be

milled beginning in late 1999). As part of the transaction, UEM, Inc.'s interest in the Rabbit Lake mine will be transferred to Cameco, resulting in Cameco directly owning 100% of the Rabbit Lake mine.

Concurrently, UEM, Inc. has agreed to sell its 20% interest in the Midwest uranium project to Cogema Canada, subject to the first refusal rights of the other partners in the Midwest uranium project, decreasing Cameco's interest from 20% to zero in this project. The Midwest uranium project is located in northern Saskatchewan.

The transaction is subject to receipt of all necessary regulatory approvals and will be effective as of January 1, 1999. Closing is expected to occur in early to mid-summer 1999.

Uranium Market Developments

The uranium spot market in 1999 so far has been active with spot sales of approximately 11.5 million pounds of U_3O_8 during the first five months of the year. The average uranium spot price indicators were U.S. \$10.65 per pound of U_3O_8 on May 31, 1999, down slightly from U.S. \$10.80 at the end of the first quarter, however, up approximately 21% from U.S. \$8.83 at the end of 1998. Through May 31, 1999, the spot market price for UF_6 conversion services strengthened, closing the month at U.S. \$3.75 per kilogram of uranium converted to UF_6 , compared to U.S. \$3.50 per kilogram at the end of 1998. Prices for new long-term contracts for uranium concentrates have generally strengthened in line with the spot market.

On May 14, 1999, ConverDyn, the other primary North American UF_6 conversion service provider, announced a reduction in UF_6 conversion service production of 25%, or about 3,200 tonnes of uranium as UF_6 . This represents about 7% of Western World conversion capacity.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The summary consolidated financial and operating data presented below should be read in conjunction with the Annual Information Form, Management's Discussion and Analysis, the Financial Statements, the Interim Report and other financial information, in each case, included elsewhere in this Prospectus or incorporated by reference in this Prospectus.

	Year Ended December 31,					Three Months Ended March 31	
	1994	1995	1996	1997	1998	1998	1999
	(in thousands except for certain Operating and Other Data)						
	(unaudited)						
Statement of Earnings Data:							
Revenue	\$ 347,685	\$ 395,271	\$ 590,861	\$ 642,945	\$ 718,949	\$ 131,876	\$ 146,987
Expenses							
Products and services sold	175,040	190,210	298,205	316,108	400,632	69,255	80,077
Depreciation, depletion and reclamation	57,517	67,481	94,974	122,676	126,669	25,684	29,866
Administration	15,590	19,617	23,255	27,213	39,516	6,821	6,907
Exploration	11,890	16,991	29,223	32,023	30,609	5,994	5,764
Research and development	2,257	1,629	3,334	1,893	2,671	566	495
Interest expense (income)	823	(4,412)	(3,396)	(7,962)	(1,609)	(2,174)	1,380
Writedown of mineral properties	—	—	—	—	15,964	—	—
Other; net	341	(1,858)	2,422	3,958	11,579	(23)	—
Income Taxes	3,083	3,528	5,311	65,057	47,274	7,949	11,376
Net earnings	81,144	102,085	137,533	81,979	45,644	17,804	11,122
Preferred securities charges	—	—	—	—	1,980	—	2,267
Net earnings attributable to common shares	\$ 81,144	\$ 102,085	\$ 137,533	\$ 81,979	\$ 43,664	\$ 17,804	\$ 8,855
Net earnings per common share (basic)	\$ 1.56	\$ 1.95	\$ 2.60	\$ 1.51	\$ 0.76	\$ 0.31	\$ 0.15
Balance Sheet (at period end):							
Working capital	\$ 166,048	\$ 248,432	\$ 271,112	\$ 272,568	\$ 357,401	\$ 424,736	\$ 379,948
Total assets	1,426,762	1,667,350	1,778,582	2,270,702	2,938,607	2,239,025	2,944,835
Total long-term debt	61,568	196,462	200,018	143,081	568,747	285,206	603,169
Shareholders' equity	1,220,372	1,301,657	1,419,672	1,692,233	1,903,274	1,700,524	1,902,233
Operating and Other Data:							
Cash provided by operations	\$ 176,079	\$ 132,521	\$ 177,903	\$ 162,106	\$ 235,166	\$ 21,722	\$ 33,747
Cash provided by operations per common share (basic)	\$ 3.38	\$ 2.53	\$ 3.37	\$ 2.98	\$ 4.11	\$ 0.38	\$ 0.59
Cash used in investing activities	\$ 106,467	\$ 252,482	\$ 162,053	\$ 324,845	\$ 693,800	\$ (20,710)	\$ (51,148)
Uranium concentrate production (pounds U ₃ O ₈) ⁽¹⁾	13,991,000	15,560,000	16,560,000	19,257,000	27,472,000	6,781,000	5,561,000
Uranium conversion production (tonnes U)	9,490	10,552	10,127	12,594	11,169	3,460	3,599
Gold production ⁽²⁾	—	31,600	40,400	202,500	244,400	68,671	48,781

(1) Represents Cameco's share.

(2) Includes data for the Contact Lake mine. The Contact Lake mine ceased operating in June, 1998.

(3) Reserves are calculated by the Company at period end.

INTEREST AND ASSET COVERAGES

The interest and asset coverages set out below have been calculated in part using the consolidated financial statements of the Company, which have been prepared in accordance with generally accepted accounting principles in Canada and are incorporated by reference in this short form prospectus and described under the heading "Documents Incorporated by Reference". The coverages do not give pro forma effect to any offering of Debt Securities or any change in indebtedness not reflected in the unaudited consolidated interim financial statements of the Company for the three months ended March 31, 1999. The coverages have not been calculated on a pro forma basis to give effect to the Cogema Sale.

These coverages are calculated with respect to interest coverage on long-term debt for the twelve-month periods ended, and, with respect to net tangible asset coverage on long-term debt as at, December 31, 1998 and March 31, 1999.

	<u>December 31, 1998</u>	<u>March 31, 1999</u>
Interest coverage on long-term debt	3.8 times	3.2 times
Net tangible asset coverage per \$1,000 of long-term debt	\$4,346	\$4,154

(1) Under U.S. GAAP, distributions on Preferred Securities would have been included in interest expense and the Preferred Securities included in long-term debt. If distributions on Preferred Securities had been included in interest expense, the interest coverage on long-term debt would have been 3.4 times and 2.6 times for the twelve month periods ended December 31, 1998 and March 31, 1999, respectively. If the Preferred Securities had been included in long-term debt, the net tangible asset coverages per \$1,000 of long-term debt would have been \$3,271 and \$3,181, as at December 31, 1998 and March 31, 1999, respectively. For a description of the Preferred Securities, see note 11 of the Financial Statements.

CONSOLIDATED CAPITALIZATION

	<u>December 31, 1998⁽¹⁾</u>	<u>March 31, 1999⁽²⁾</u>
	(in thousands of dollars)	
Short-term debt	<u>\$ 32,651</u>	<u>\$ 32,651</u>
Long-term debt		
Commercial paper ⁽³⁾	316,057	392,644
Kumtor Gold Company:		
Senior debt	122,610	120,904
Subordinated debt	10,203	10,061
Cameco share savings bonds	6,722	6,779
Bank loan	<u>113,155</u>	<u>72,781</u>
Total long-term debt	<u>568,747</u>	<u>603,169</u>
Shareholders' equity		
Preferred Securities ⁽⁴⁾	186,985	184,373
Share capital ⁽⁵⁾⁽⁶⁾	687,658	688,534
Contributed surplus	496,745	496,745
Retained earnings	509,326	510,972
Cumulative translation adjustment	<u>22,560</u>	<u>21,609</u>
Total shareholders' equity	<u>1,903,274</u>	<u>1,902,233</u>
Total capitalization	<u>\$2,504,672</u>	<u>\$2,538,053</u>

- (1) The general terms of the indebtedness in the above table are set out in note 8 of the Financial Statements.
- (2) Between December 31, 1998 and the date of this Prospectus, there has been no material change in the consolidated capitalization of Cameco. Application of the proceeds from the Cogema Sale has not been reflected (on a pro forma basis) in these numbers.
- (3) The Company's commercial paper program is supported by the long-term credit facility and, accordingly, the Company's commercial paper is classified as long-term debt.
- (4) For a description of Preferred Securities, see note 11 of the Financial Statements.
- (5) At March 31, 1999, does not include 2,945,792 common shares of the Company issuable pursuant to the Company's stock option and share savings plans.
- (6) For a description of Cameco's share capital, see note 12 of the Financial Statements.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under one or more trust indentures (the "Trust Indenture") to be entered into between the Company and CIBC Mellon Trust Company (the "Trustee"). The Trust Indenture will authorize the Company to issue up to an aggregate principal amount of \$300 million of Debt Securities (or the

equivalent amount if any Debt Securities are denominated in a currency other than Canadian dollars) or if any Debt Securities are issued at an original issue discount, such greater amount as will result in an aggregate offering of up to \$300 million (or the equivalent amount if any Debt Securities are denominated in a currency other than Canadian dollars) in one or more series. Each such issue will be made by way of a supplement to the Trust Indenture (a "Supplemental Indenture") which will set out the terms of each series of Debt Securities. The following summary of the material terms of the Debt Securities does not purport to be complete. For a summary of additional material terms relating to a particular series of Debt Securities, reference should be made to the relevant Prospectus Supplement and for full particulars of the terms of the Debt Securities, reference should be made to the Trust Indenture and the relevant Supplemental Indenture. Capitalized terms shall have the meanings given in the Trust Indenture (unless otherwise defined herein).

General

A Prospectus Supplement relating to a particular series of Debt Securities will describe the terms of such Debt Securities including, where applicable, the following:

- (a) the specific designation of the Debt Securities;
- (b) any limit on the aggregate principal amount of the Debt Securities;
- (c) the authorized denominations of the Debt Securities;
- (d) the currency in which the Debt Securities may be purchased and the currency in which principal, premium (if any) and interest will be payable;
- (e) the date or dates (if any) on which the Debt Securities will be payable;
- (f) the rate or rates at which the Debt Securities will bear interest, if any, and the date or dates from which such interest shall accrue, on which such interest shall be payable and on which a record, if any, shall be taken for the determination of holders to whom such interest shall be payable and/or the method or methods by which such rate or rates or date or dates shall be determined;
- (g) any mandatory or optional redemption or sinking fund provisions, including the period or periods within which the price or prices at which and the terms and conditions on which the Debt Securities may be redeemed or purchased at the option of the Company or otherwise;
- (h) any conversion or exchange terms;
- (i) the percentage of the principal amount (including any premium) at which the Debt Securities may be issued or redeemed;
- (j) any securities exchange on which the Debt Securities of the applicable series will be listed;
- (k) whether the Debt Securities will be issuable in registered or bearer form or both or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- (l) each place or places where the principal of and interest on the Debt Securities will be payable and where the Debt Securities may be presented for registration of transfer or exchange; and
- (m) any other terms of the Debt Securities, including covenants and events of default relating solely to the applicable series of Debt Securities or any covenants or events of default generally applicable to the Debt Securities which are not to apply to the applicable series of Debt Securities.

Form, Denomination, Registration and Transfer

Unless otherwise provided for in a Supplemental Indenture (and specified in the applicable Prospectus Supplement) with respect to a particular series of Debt Securities, Debt Securities will be issued in fully registered form without coupons attached in either global or definitive form and in denominations and integral multiples as set out in the applicable Prospectus Supplement. Other than in the case of book-entry only securities, Debt Securities may be presented for registration or transfer (with the form of transfer endorsed thereon duly executed), conversion or exchange at the corporate trust office of the Trustee in Winnipeg or at

such other corporate trust office of the Trustee or at the office of any transfer agent designated by Cameco with the approval of the Trustee, for such purpose with respect to any Debt Securities referred to in the applicable Prospectus Supplement. The Trustee or such transfer agent, as the case may be, will effect such transfer, conversion or exchange only when satisfied with the documents of title and the identity of the person making the request. If a Prospectus Supplement refers to any transfer agents in addition to the Trustee initially designated by the Company with respect to any series of Debt Securities, the Company may at any time rescind the designation of any such transfer agent or approve any change in the location through which such transfer agent acts. Reasonable service charges may be levied for transfers, conversions or exchanges of Debt Securities. The Company may require payment of a sum to cover any tax or other governmental charge payable in connection therewith.

In the case of book-entry only securities, a global certificate or certificates representing such Debt Securities will be held by a designated depository (the "Depository") for its participants. These Debt Securities can be purchased or transferred only through such participants, which include securities brokers and dealers, banks and trust companies. The Depository will establish and maintain book-entry accounts for its participants acting on behalf of holders of such Debt Securities. The interests of holders of such Debt Securities will be represented by entries in the records maintained by the participants. Holders of Debt Securities issued in book-entry form will not be entitled to receive a certificate or other instrument evidencing their ownership thereof, except in limited circumstances. Each such holder will receive a customer confirmation of purchase from the participant through which the Debt Securities are purchased in accordance with the practices and procedures of that participant.

Payment

Unless otherwise specified in the applicable Prospectus Supplement, payment of principal of and premium (if any) and interest on Debt Securities will be made in the designated currency against surrender of such Debt Securities at the corporate trust office of the Trustee. Unless otherwise indicated in the applicable Prospectus Supplement, payment of any installment of interest on Debt Securities will be made by cheque or by electronic funds transfer, either directly or through the Trustee, to the person in whose name such Debt Securities are registered at the close of business on the date for such interest.

Rank

The Debt Securities will be direct, unsecured obligations of the Company and will rank equally and rateably with one another and with all other unsecured and unsubordinated indebtedness of the Company except to the extent prescribed by law.

Events of Default

The Trust Indenture will provide that the Trustee may or shall, if so directed by the holders of at least 25% of the principal amount of the outstanding of Debt Securities (or, if an event of default has occurred which is applicable only to one or more series of Debt Securities, the holders of at least 25% in aggregate principal amount of the outstanding Debt Securities of such series), declare the principal of, premium (if any) and interest accrued on all the Debt Securities (or the Debt Securities of such affected series, as the case may be), to be due and payable to the Trustee immediately upon the occurrence of certain events of default (the "Events of Default"), which include the following:

- (a) if the Company makes default in payment of the principal of or premium, if any, on any Debt Securities when due for a period of five business days;
- (b) if the Company makes default in payment of any interest due on any Debt Security or on any sinking fund payment due and any such failure continues for a period of 30 days;
- (c) if the Company makes default in observing or performing any other covenant or condition under the Trust Indenture for a period of 60 days (or such longer period as agreed to by the Trustee) after notice in writing has been given by the Trustee to the Company;
- (d) if the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary makes default in payment at maturity or in performance or observance of any covenant, term,

agreement or condition of any Indebtedness singly or in the aggregate in an amount of 5% of Shareholders' Equity (as defined below), which default results in an acceleration of such Indebtedness, subject to certain grace periods and waiver provisions set out in the Trust Indenture;

- (e) if an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Company, or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary other than in the course of carrying out, or pursuant to, a transaction in respect of which the provisions of the article of the Trust Indenture relating to amalgamation or merger of the Company are applicable and the conditions thereof are duly observed and performed or if the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy proceedings against it, or files a notice of intention to make a proposal, or a petition or answer or consent seeking reorganization or relief under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding-up or Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver, custodian, trustee, examiner, liquidator or the like of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or of the undertaking or the assets of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or any part thereof which is, in the opinion of the Trustee, a substantial part thereof or makes a general assignment for the benefit of creditors, or admits in writing to its inability to pay the debts generally as they become due;
- (f) if a decree or order of a court having jurisdiction is entered adjudging the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or winding-up of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding-up and Restructuring Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or processing execution against all, or any part thereof, which is in the opinion of the Trustee, a substantial part of the undertaking or assets of, the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or appointing a receiver, custodian, trustee, examiner or liquidator or the like of the undertaking or assets of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or any part thereof which is, in the opinion of the Trustee, a substantial part thereof or ordering the winding-up or liquidation of the affairs of the Company, and any such decree or order continues unstayed and in effect for a period of 30 days; or
- (g) if an encumbrancer takes possession of the Property (other than Non-Recourse Properties) of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or any part thereof which is, in the opinion of the Trustee, a substantial part of the Property of the Company on a consolidated basis, or if any process of execution is levied or enforced upon or against the Property of the Company or, except as part of a Permitted Subsidiary Transaction, any Restricted Subsidiary or any part thereof (other than Non-Recourse Properties) which is, in the opinion of the Trustee, a substantial part of the Property of the Company on a consolidated basis and remains unsatisfied for such period as would permit any such Property to be sold thereunder, unless such process is in good faith disputed by the Company, but in that event the Company shall, if the Trustee so requires, give security which, in the discretion of the Trustee, is sufficient to pay in full the amount thereby claimed in case the claim is held to be valid.

Subject to the provisions of the Trust Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will not be under any obligation to exercise any of its rights or powers under the Trust Indenture at the request or direction of any of the holders of Debt Securities, unless such holders have offered to indemnify the Trustee to its reasonable satisfaction.

Negative Pledge

The Trust Indenture contains provisions to the effect that the Company will not nor will it permit any Restricted Subsidiary to create, incur, assume or suffer to exist any Lien (as defined) upon any part of its Property, present or future, or permit to subsist, after knowledge of the existence thereof, any Lien to secure any Indebtedness of the Company except for Permitted Encumbrances (as defined below) without at the same time, or prior thereto, securing or causing to be secured equally and rateably with such Indebtedness all of the Debt Securities then outstanding by the same instrument or by other instruments, and providing to the Trustee at such time an opinion of legal counsel which confirms that all of the Debt Securities then outstanding have been secured equally and rateably with such Indebtedness (the "Negative Pledge").

Limitation on Restricted Subsidiary Borrowing

The Trust Indenture limits the Company's Proportionate Share of Funded Debt of Restricted Subsidiaries to an aggregate amount of less than 15% of Shareholders' Equity.

Definitions

Certain terms are defined in the Trust Indenture substantially as follows:

"Acquired Restricted Subsidiary Funded Debt" means Funded Debt of a Restricted Subsidiary existing at the time of acquisition of control of such Restricted Subsidiary by the Company or any of its Subsidiaries (but, for greater certainty, shall not include Funded Debt incurred in anticipation of such acquisition of control).

"Company's Proportionate Share of Funded Debt of Restricted Subsidiaries" means, in respect of Funded Debt of Restricted Subsidiaries, the portion of such Funded Debt representing the percentage of such Funded Debt which is equal to the Company's or, as applicable, its Subsidiary's percentage of all the ownership interests in such Restricted Subsidiaries, provided that the following shall not be included in the calculation of the Company's Proportionate Share of Funded Debt of Restricted Subsidiaries:

- (a) inter-company Funded Debt owing to the Company or one or more Restricted Subsidiaries;
- (b) Acquired Restricted Subsidiary Funded Debt; and
- (c) Funded Debt of a Restricted Subsidiary, provided that such Restricted Subsidiary shall have, at the time of the creation, assumption, incurrence or becoming obligated in respect of such Funded Debt, executed and delivered to the Trustee, for the benefit of all holders of Debt Securities, a guarantee by the Restricted Subsidiary in such form as is acceptable to the Trustee, together with such officer's certificates, board resolutions and legal opinions as the Trustee may reasonably request.

"Environmental Laws" means all laws, statutes, codes, ordinances, orders, decrees, rules, regulations, guidelines, standards, judgements or instruments, in each case having the force of law, of any authority having jurisdiction relating in whole or in part to the environment or its protection;

"Funded Debt" means, as at any date and for any Restricted Subsidiary, the amount calculated as follows (determined without duplication in accordance with Canadian GAAP): (a) Indebtedness less (b) liabilities up to a maximum amount of \$100 million in respect of letters of credit (or similar instruments) required under Environmental Laws for the cleanup, remediation, restoration, reclamation or decommissioning of assets or properties or similar activities where no demand or claim has been made under such letters of credit or other instruments less (c) all cash on hand and marketable securities and without duplication, cash on hand and marketable securities related to guaranteed Indebtedness;

"Indebtedness" means in respect of any person, without duplication, all items of indebtedness of any such person created, issued or assumed for any amounts borrowed and all purchase money obligations which, in accordance with Canadian GAAP, would be recorded in the financial statements of such person as at the date as of which Indebtedness is to be determined, and in any event including, to the extent not otherwise included:

- (a) obligations secured by any Lien existing on Property owned by such person subject to such Lien, whether or not the obligations secured thereby shall have been assumed; and

- (b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities of such person in respect of obligations of another person or indebtedness of that other person, but only to the extent so guaranteed, indemnified or endorsed,

excluding, however, with respect to purchase money obligations, obligations of any person to pay trade accounts payable, payments in kind and accrued expenses incurred in the ordinary course of business, so long as the trade accounts payable and accrued expenses are payable within 180 days. In the case of Indebtedness of others secured by a Lien on the property of, but not assumed by, any person, the amount of such Indebtedness shall be limited to the lesser of (i) the amount thereof and (ii) the fair market value of the affected property;

"Kumtor Escrow Agreement" means the Escrow and Security Agreement among the Company, European Bank for Reconstruction and Development, Export Development Corporation, International Finance Corporation and Chemical Bank (now known as The Chase Manhattan Bank), as escrow and security agent, dated as of June 28, 1995, as such agreement may be amended, modified, supplemented or restated from time to time;

"Kumtor Guaranty Agreement" means the Guaranty Agreement dated as of June 28, 1995 between the Company and The Chase Manhattan Bank, in its capacity as trustee, as such agreement may be amended, modified, supplemented or restated from time to time;

"Lien" means any mortgage, lien, pledge, hypothecation, assignment, charge, security interest, royalty or encumbrance of any kind created, incurred or assumed in order to secure payment of Indebtedness;

"Non-Recourse Debt" means any Indebtedness incurred in whole or in part to finance the creation, exploration, exploitation, development, construction, operation or acquisition of assets and any increases in or extensions, renewals or refunding of any such Indebtedness, provided that the recourse of the lender thereof or any agent, trustee, receiver or other person acting on behalf of the lender in respect of such Indebtedness or any judgement in respect thereof is limited (other than in respect of false or misleading representations or warranties) to the Property created, explored, exploited, developed, constructed, operated or acquired in respect of which such Indebtedness has been incurred and to any receivables, inventory, equipment, chattel paper, intangibles and other rights or collateral connected with the Property created, explored, exploited, developed, constructed, operated or acquired (and includes the shares of any subsidiary of the Company whose Property in whole or in part consist of the Property referred to in this definition) and to which the lender has recourse (collectively, the "Non-Recourse Properties");

"Permitted Encumbrance" means any of the following:

- (a) any Lien created, incurred or assumed by the Company or any Restricted Subsidiary or otherwise in existence as of the date of the first issuance by the Company of Debt Securities issued pursuant to this Indenture, or arising thereafter pursuant to contractual commitments entered into prior to such issuance;
- (b) any Lien arising under the Kumtor Escrow Agreement or the Kumtor Guaranty Agreement;
- (c) any Lien imposed by any government authority for taxes, assessments or charges not yet due or if due, that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or the affected Restricted Subsidiary, as the case may be, in accordance with Canadian GAAP;
- (d) any carrier's, warehousemen's, mechanics, construction, materialmen's, repairmen's or other like Lien arising in the ordinary course of business provided that the obligations secured by such Lien are not overdue for a period of more than 30 days or are being contested in good faith by appropriate proceedings;
- (e) any Lien securing court proceedings or judgments for an amount and for a period not resulting in an Event of Default and deposits in connection with any appeal, review or contestation thereof;
- (f) any Lien, trust or deposit under worker's compensation, unemployment insurance and other similar statutory obligations;

- (g) any Lien or deposit to secure the performance of bids, trade contracts (other than Indebtedness), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- (h) any Lien giving security on any Property in favour of a government authority within or outside Canada or any political subdivision, department, agency or instrumentality thereof or any public utility to secure the performance of any covenant or obligation to or in favour of or entered into at the request of any such authorities where such security is required pursuant to any contract, statute, order or regulation;
- (i) any Lien on Property of a corporation, which Lien exists at the time such corporation is merged into, or amalgamated or consolidated with the Company or a Restricted Subsidiary, provided that such Lien is in existence at the time of such amalgamation, merger or consolidation, was not created in anticipation thereof and is confined solely to such Property;
- (j) any Lien on Property prior to the acquisition thereof by the Company or a Restricted Subsidiary, provided that any such Lien was not created in anticipation thereof and is confined solely to such Property;
- (k) any Lien to secure obligations under hedge agreements entered into in the ordinary course of business;
- (l) any Lien on existing Property of a corporation when it becomes a Restricted Subsidiary;
- (m) any Lien upon Property of any Restricted Subsidiary to secure Indebtedness owing by such Restricted Subsidiary to the Company or any other Subsidiary;
- (n) any Lien created, incurred or assumed to secure any purchase money obligation;
- (o) any Lien consisting of royalties payable with respect to, and other usual grantors' / lessors' rights on, any real property, mining claims or other mineral interest created as part of the acquisition (whether of freehold or leasehold interests) thereof or existing on the date of such acquisition;
- (p) any Lien in favour of a party (a "JV Partner") to a joint venture agreement, joint development agreement, co-ownership agreement, operating agreement, shareholders' agreement or other similar agreement to which the Company or a Restricted Subsidiary is a party or in favour of any operator or similar party under any such agreement which Lien secures the obligations of the Company or a Restricted Subsidiary under such agreements, including, without limitation, any obligation of the Company or a Restricted Subsidiary to reimburse such JV Partner or such operator or other person for the Company's or a Restricted Subsidiary's share of the expenses of developing or conducting operations for the recovery, storage, treatment, transportation, crushing, milling, refinement, marketing or sale of any mineral resource, including without limitation, uranium, gold or other precious metals, to the extent that such obligations so secured relate to the joint venture that is the subject of such agreement;
- (q) all rights reserved to or vested in any government authority by the terms of any lease, license, franchise, grant or permit held by the Company or a Restricted Subsidiary, or by any statutory provision, to distrain against or to obtain a charge on any Property of the Company or a Restricted Subsidiary in the event of failure to make any periodic payment or deposit for reclamation, decommissioning or similar expenses as a condition of the continuance of such lease, license, franchise or permit;
- (r) any Lien on inventory granted in the ordinary course of business securing loans of such inventory and exchanges of such inventory (excluding any Liens securing Indebtedness) entered into in the ordinary course of business;
- (s) any zoning restriction, statutory exception to title, easement, right of way, servitude, lease or other similar encumbrance or privilege in respect of real property, which does not materially detract from the value of the Company taken as a whole;
- (t) any Lien created, incurred or assumed to secure any Non-Recourse Debt of the Company or a Restricted Subsidiary on any Property other than a Principal Property;

- (u) any Lien on current assets (as determined in accordance with Canadian GAAP) securing any Indebtedness of the Company to any bank or banks or other financial institution or institutions incurred in the ordinary course of business and for the purpose of carrying on the same, repayable on demand or maturing within 12 months of the date when such Indebtedness is incurred or the date of any renewal, extension or replacement thereof;
- (v) any Lien or right of distress reserved in or exercisable under any lease, sublease or license for rent and for compliance with the terms of such lease, sublease or license arising in the ordinary course of business and not securing any Indebtedness with respect to amounts delinquent;
- (w) the extension, renewal or refinancing of any Lien permitted pursuant to the foregoing, provided that the amount secured thereby does not exceed the amount secured immediately prior to such extension, renewal or refinancing;
- (x) operating leases entered into by the Company or any Restricted Subsidiary in the ordinary course of business;
- (y) capital leases entered into by the Company or any Restricted Subsidiary in the ordinary course of business; or
- (z) any other Lien not permitted under clauses (a) through (y) hereof, provided that the aggregate amount of Indebtedness secured by all Liens permitted pursuant to this provision (z) does not exceed 10% of Shareholders' Equity;

"Permitted Subsidiary Transaction" means, in respect of any Subsidiary, any transaction of merger, consolidation, amalgamation or reorganization of such Subsidiary with the Company or any Subsidiary or Subsidiaries (but not any other person) or any liquidation, winding-up or dissolution of such Subsidiary as part of any merger, consolidation, amalgamation or reorganization with the Company or any Subsidiary or Subsidiaries (but not any other person) and any default in payment of, or non-payment of, or forgiveness in repayment of, any principal or interest on any Indebtedness of a Subsidiary to the Company or to another Subsidiary, and shall include the taking of steps and actions and the enforcement of remedies in respect of Indebtedness of such Subsidiary and any security or agreements in respect thereof in connection with such merger, consolidation, amalgamation, reorganization, liquidation, winding-up or dissolution;

"Principal Property" means any current or future mineral property or mining right or manufacturing or processing plant, building, structure or other facility, together with the land upon which it is erected and fixtures comprising a part thereof, in respect of the assets or investments of the Company or any Subsidiary in any of the Blind River Refinery, the Cigar Lake Project, the Key Lake Mine, the McArthur River Project, the Port Hope Facility and the Rabbit Lake Mine and shall include the shares or other securities issued by any Restricted Subsidiary as well as any claims or rights of the Company or any Restricted Subsidiary against any Restricted Subsidiary;

"Property" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible;

"Restricted Subsidiary" means any Subsidiary that owns or leases an interest in a Principal Property or invests in, lends money to, or otherwise owns or holds shares or other securities issued by, one or more Restricted Subsidiaries;

"Shareholders' Equity" shall, with respect to the Company and its consolidated Subsidiaries, be determined in accordance with Canadian GAAP; and

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned or controlled by the Company (for greater certainty, KGC and, in the event of the closing of the transaction presently agreed to with Cogema Canada pursuant to which the Company's voting interest in UEM, Inc. is reduced to 50% and for as long as the Company's voting interest in UEM, Inc. thereafter remains at 50% or less, UEM, Inc. are not and shall not be deemed to be Subsidiaries).

Purchase of Debt Securities

Subject to the terms of any Supplemental Indenture, the Company will be entitled at any time and from time to time to purchase for cancellation all or any principal amount of Debt Securities of any series in the market, by tender or by private contract at any price.

Restriction on Reorganization

The Trust Indenture will provide that the Company shall not, directly or indirectly, sell, lease, transfer or otherwise dispose of all or substantially all of its Property to any other person and shall not amalgamate or merge with or into any other corporation unless the successor provisions of the Trust Indenture are complied with.

Satisfaction and Discharge

The Trustee shall at the request of the Company release and discharge the Trust Indenture and any security, if any, created pursuant thereto and execute and deliver such instruments as it shall be advised by legal counsel are required to release the Company from its covenants under the Trust Indenture (other than the provisions relating to indemnification of the Trustee), upon proof reasonably satisfactory to the Trustee being given that the principal of, premium, if any, and interest (including interest amounts in default, if any) on all Debt Securities outstanding under the Trust Indenture and all other monies payable under the Trust Indenture have been paid or satisfied.

Cameco shall be deemed to have fully paid, satisfied and discharged the outstanding Debt Securities issued under the Trust Indenture when, with respect to all such Debt Securities (a) the Company has irrevocably deposited or caused to be deposited with the Trustee in trust either: (i) an amount sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest to the maturity date or any repayment date or redemption dates, as the case may be, of the outstanding Debt Securities issued under the Trust Indenture or (ii) such amount of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada, if the Debt Securities are issued in Canadian dollars or, if the Debt Securities are issued in a currency other than Canadian dollars, the Government of Canada or the government that issued the currency in which the Debt Securities are payable; as will, together with the income to accrue thereon and reinvestment thereof, be sufficient to pay and discharge the entire amount of principal and accrued and unpaid interest to the maturity date or any repayment date, as the case may be, of the outstanding Debt Securities; (b) the Company has paid, caused to be paid or made provision to the satisfaction of the Trustee for the payment of all other sums payable with respect to the outstanding Debt Securities; and (c) certain other conditions are met. Upon satisfaction of the conditions set forth in this paragraph, the terms and conditions of the outstanding Debt Securities with certain exceptions, shall no longer be binding upon or applicable to the Company.

Waiver of Default

The holders of not less than 66⅔% of the principal amount of Debt Securities then outstanding will have the power to instruct the Trustee to waive any Event of Default or to cancel the declaration made by the Trustee or both, and the Trustee shall thereupon comply with such instructions. In addition, the Trustee will have the power to waive any default if, in the Trustee's opinion, the default has been cured or adequate satisfaction (as determined by the Trustee) has been made therefor, and the Trustee will have the power to cancel any declaration therefore made.

Modification

The rights of the holders of Debt Securities under the Trust Indenture will be subject to modification. For that purpose, among others, the Trust Indenture will contain provisions making binding upon all holders of Debt Securities (a) Extraordinary Resolutions, or (b) instruments in writing signed by the holders of not less than 66⅔% of the principal amount of all the Debt Securities. "Extraordinary Resolution" means a resolution passed at a meeting of holders of Debt Securities issued under the Trust Indenture and applicable Supplemental Indenture duly convened for that purpose and held in accordance with the provisions of the Trust Indenture and

carried by an affirmative vote of not less than 66 2/3% of the votes of all holders of Debt Securities present or represented by proxy and voting given on a poll.

Governing Law

Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities will be governed by and construed in accordance with the laws of the Province of Saskatchewan and the laws of Canada applicable therein.

PLAN OF DISTRIBUTION

General

Cameco may sell Debt Securities to or through underwriters or dealers or purchasers directly or through agents. The Debt Securities may be sold from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Each Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters, dealers or agents; the purchase price or prices of the Debt Securities; the proceeds to the Company from the sale of the Debt Securities, any initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis), any underwriting discount or commission and any discounts, concessions or commissions allowed or reallowed or paid by any underwriter to other dealers. Any initial public offering price and any discounts, concessions or commissions allowed or reallowed or paid to dealers may be changed from time to time.

Each series or issue of Debt Securities will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to an issue of Debt Securities, the Debt Securities will not be listed on any securities or stock exchange. In connection with any offering of Debt Securities, the underwriters, dealers or agents may over-allot or effect transactions which stabilize or maintain the market price of the Debt Securities offered at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. Any underwriters, dealers or agents to or through whom Debt Securities are sold by the Company may make a market in the Debt Securities, but they will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that a trading market in any of the Debt Securities will develop or as to the liquidity of any trading market for the Debt Securities.

Each issue of Debt Securities will be made to residents of Canada. The Debt Securities have not been, and will not be, registered under the 1933 Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the 1933 Act, including Rule 144A thereunder. The underwriters who participate in the distribution of Debt Securities will agree not to offer or sell any of the Debt Securities within the United States or to U.S. persons, except in such an exempt transaction. In addition, until 40 days after the commencement of the offering of Debt Securities, an offer or sale of the Debt Securities within the United States or to any U.S. person by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an appropriate exemption from the registration requirements of the 1933 Act. Certain terms used in this paragraph have the meanings given to them by Regulation S under the 1933 Act.

Under agreements which may be entered into with the Company, the underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Company against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which they may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for the Company in the ordinary course of business.

USE OF PROCEEDS

Specific information about the use of proceeds from the sale of Debt Securities will be described in the applicable Prospectus Supplement. Except as otherwise set forth in a Prospectus Supplement, Cameco may use the net proceeds from the sale of Debt Securities to repay indebtedness outstanding from time to time, for capital expenditures and for other corporate purposes. The Company may from time to time issue debt instruments and incur additional indebtedness otherwise than through the issue of Debt Securities pursuant to this Prospectus.

AUDITORS

The auditors of Cameco are KPMG LLP, 600, 128 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 1M8.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces provides a purchaser with the right to withdraw from an agreement to purchase securities within two days after receipt or deemed receipt of a prospectus, the accompanying Prospectus Supplement relating to the securities purchased by a purchaser and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE

Dated: June 21, 1999

The foregoing, together with the documents incorporated herein by reference, as of the date of each supplement hereto, will constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and such supplement as required by the securities laws of all the provinces of Canada and will not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) BERNARD M. MICHEL
Chair, President and Chief Executive Officer

(Signed) DAVID M. PETROFF
Senior Vice President, Finance
and Administration and Chief Financial Officer

(Signed) DR. J.W. GEORGE IVANY
Director

(Signed) GEORGE S. DEMBROSKI
Director

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History

**Cameco to Acquire Power Resources, Inc. and Central Electricity Generating Board
Exploration (Canada) Ltd.**

Saskatoon, Saskatchewan, Canada, October 14, 1996

Cameco Corporation announced today it has entered into a comprehensive agreement to purchase from a subsidiary of Magnox Electric plc, a UK entity, all of that company's North America uranium holdings. Cameco has agreed to pay \$105 million (US) in cash for 100% of the outstanding shares of Power Resources, Inc. (PRI), a US uranium mining company and 100% of the outstanding shares of Central Electricity Generating Board Exploration (Canada) Ltd. (CEGBE Canada), a company involved primarily in Canadian uranium exploration. The purchase is subject to regulatory approval.

The purchase adds more than 1 million pounds U_3O_8 to Cameco's annual production and increases Cameco's already exceptional base of reserves and resources by adding 37 million pounds (or 10%) of recoverable uranium reserves and another 85 million pounds (or 40%) in the resource category. Cameco also gains interests in several well located exploration projects in Canada.

The deal also provides Cameco with access to important know-how in the application of in situ leach (ISL) technology, a low-cost method of extracting uranium from certain types of deposits.

"This acquisition enhances our uranium reserve base and production capability and gives us access to exceptional operating experience" said Bernard Michel, Cameco's chair, president and chief executive officer. "PRI's expertise will be most valuable in our ongoing assessment of other ISL opportunities. The strategic location of Highland's processing plant to Cameco's other ISL properties is also an added benefit."

PRI, with its head office in Denver, Colorado, is one of the largest uranium producers in the United States employing 67 people. It owns 74.25% and is the operator of the Highland ISL mine in Wyoming. Highland presently produces more than 1.3 million pounds U_3O_8 per year but has an annual capacity of 2 million pounds, adding about 6% to Cameco's current

production capabilities.

Cameco intends to maintain its US presence, restructure its US uranium activities and increase production from existing undeveloped reserves and resources. Cameco presently owns about 32% of the Crow Butte ISL mine in Nebraska through its wholly owned subsidiary Geomex Minerals, Inc. and owns in Wyoming significant additional reserves which could be processed at the Highland facility.

"With the PRI purchase, Cameco will offer more flexibility to its customers and achieve greater geographical diversification," added Michel. "Similarly, the customers of PRI will benefit from this new association with Cameco."

"Integrating PRI into Cameco's asset base will advance the company towards achieving key strategic uranium objectives." said Michel. "PRI brings valuable expertise and new opportunities to Cameco together with additional reserves and production potential at a time when the uranium market outlook appears favorable."

Cameco, with its head office in Saskatoon, Saskatchewan, is the world's largest publicly traded uranium company and a growing gold producer. Its uranium products are used to generate electricity in nuclear power plants around the world, providing one of the cleanest sources of energy available today.

- End -

For further information, please contact:

Alice Wong
Manager, Investor Relations
Cameco Corporation
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Fax: (306) 956-6318

or
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Page updated Aug 17 2006

Disclaimer

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Dept. of Justice

JAN 04 1990

State of Nebraska

SPOR
ROBERT B. CROSBY
THOMAS R. FANSING (1917-1973)
ROBERT C. GUENZEL
DONN E. DAVIS
THEODORE L. KESSNER
WILLIAM D. KUESTER
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MARK D. MCGUIRE
SCOTT J. NORBY
GREGORY B. BARTELS
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TELECOPIER
(402) 475-3868

January 4, 1990

✓ Attorney General Robert M. Spire
Assistant Attorney General A. Eugene Crump
Assistant Attorney General Steven Moeller
2115 State Capitol Building
Lincoln, Nebraska 68509

Re: Ferret Exploration Company of Nebraska, Inc. (FEN) and Crow Butte
Land Company (CBL)

Gentlemen:

On January 2, 1990, Steve Moeller relayed your request to me for further information on two points. First, I am pleased to enclose the complete minutes of the Joint Consent in lieu of a Special Meeting of FEN's Shareholders and Directors dated November 21, 1989. As you can see, these are the same as those previously sent to you on December 21, 1989, wherein we deleted the nonpertinent information. We request that this document be held in a confidential manner by your office.

Regarding the make up of Ferret Exploration Company, Inc. (FEC), only the names of its directors and officers remain to be furnished. I thought it would be helpful to provide those names in a summary of all information which you have previously requested and which we have already provided concerning the various levels of ownership and concerning FEN's relationship with its shareholders. Although it extends somewhat beyond the pertinent scope of inquiry, that information demonstrates compliance with the Nebraska Alien Ownership of Land Act, even without reliance on the "industrial establishment" exemption.

First, neither FEN, FEC nor CBL have any aliens as executive officers or managers. The other information at the levels of ownership follows:

1. Title to all real property interests is held by Crow Butte Land Company (CBL).
 - (a) CBL is a Nebraska corporation.
 - (b) CBL has five directors; three are U.S. citizens, two are non-U.S. citizens.

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(c) 100% of the stock of CBL is owned by FEN.

2. Ferret Exploration Company of Nebraska, Inc. (FEN)

(a) FEN is a Nebraska corporation.

(b) FEN has Nine directors; five are U.S. citizens, four are non-U.S. citizens.

(c) Stock ownership:

1. Ferret Explorations Company, Inc., a Delaware corporation	96 shares
Geomex Minerals, Inc., a Delaware corporation	1 share
First Holding Company, a Colorado corporation	1 share
Uranerz U.S.A., Inc., a Colorado corporation	1 share
Korea Electric Power Corporation, a Republic of Korea Corporation	1 share
Total shares issued and outstanding	100 shares

3. Ferret Exploration Company, Inc. (FEC)

(a) FEC is a Delaware corporation

(b) FEC has three Directors: W. Gene Webb and Brad H. Hamilton are U.S. citizens; William E. Grafham is a Canadian citizen.

(c) 100% of FEC's stock is owned by First Holding Company, a Colorado corporation.

(d) Officers: W. Gene Webb, President
Ralph Barnard (U.S. citizen), Vice President
Brad H. Hamilton, Secretary

(e) Managers: FEC has no personnel acting in a managerial capacity who are not officers.

As we have also explained, FEN is the operator and manager of the Crow Butte Project under an operating venture agreement with its shareholders pursuant to which FEN is obligated to obtain the necessary permits and to undertake uranium exploration, mine

development and production operations at the Crow Butte Project. FEN's obligations also include holding title to all of the assets involved in such operations, including the mineral leases and other real property interests. FEN has, with the concurrence of its shareholders, transferred title to all such leases and real property interests to its wholly owned subsidiary, CBL.

With the exception of the names of the individuals set forth above, all of the foregoing information has previously been provided to you either orally or in writing. On behalf of my clients, I request that you now issue letters to the Department of Environmental Control and to me confirming your determination that CBL and FEN are in compliance with the Alien Ownership of Land Act.

Sincerely,

CROSBY, GUENZEL, DAVIS,
KESSNER & KUESTER

By



Mark D. McGuire

MDM:pas/mdm20W