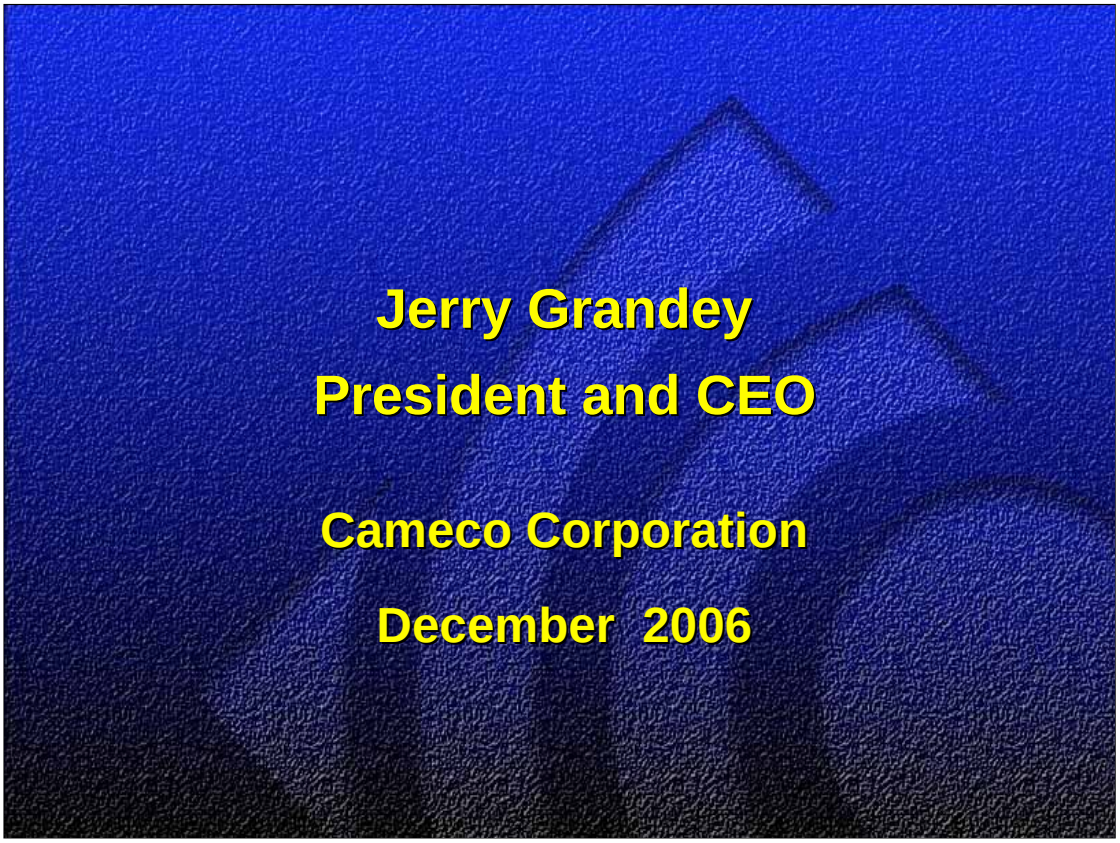

Jerry Grandey
President and CEO
Cameco Corporation
December 2006

Good afternoon

Today, I am going to touch on three steps in the nuclear fuel cycle – uranium, conversion and enrichment as well as provide a brief update on Bruce Power. The scope of my discussion has been guided by suggestions from Terry Ortslan. I will cover the following items under each topic:

For our uranium business, I will provide an overview of the current status of our two major development projects, Cigar Lake and Inkai. In addition, I will discuss Cameco's exploration activities and our strategy to invest in juniors.

I will then touch upon the markets for conversion and enrichment and discuss some of the risks/opportunities in each business.

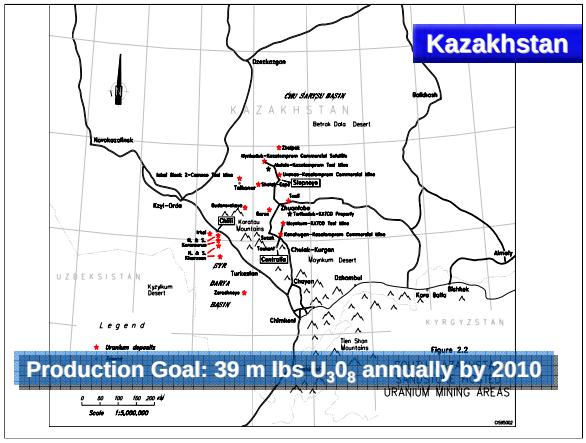
Finally, I will finish with an update on Bruce Power focusing on the risks and opportunities for that business.

Cameco’s foundation is our portfolio of world-class uranium reserves. Our exceptional asset at McArthur River/Key Lake, supplemented by our low-cost Rabbit Lake and US ISL operations, make Cameco the largest uranium producer in the world. In order to maintain our leading position, we must continue to bring new reserves into production and to expand our reserve base.

In the near term we must focus on completing construction at Inkai and remediation and commissioning production at the Cigar Lake mine. We will seek to add to our reserve base through a comprehensive exploration program and a disciplined acquisition strategy.

I will begin with a discussion of our Inkai project in Kazakhstan. But first a few points about Kazakhstan's uranium plans.

Kazakhstan accounts for approximately 17% of the world's uranium resources. In 2005, Kazakhstan produced about 10 million pounds of uranium, making it the world's third largest producer. There are approximately 50 known uranium deposits in Kazakhstan.



Since 2000 almost all production has come from ISL operations. With further mine development under way, the goal is to reach annual production of 39 million pounds by 2010.

The typical timeline for project development in central Asia, from exploration to the start of production, is anywhere from six to eleven years based on a best case, worst-case scenario.

To meet its goal, Kazakhstan will require substantial investment in its infrastructure.

There is no national electricity grid in Kazakhstan. They are dependent on Russia, Kyrgyzstan and Uzbekistan for electricity. New transmission lines will have to be built.

Roads will have to be upgraded to support the increased loads associated with the transportation of greater volumes of materials.

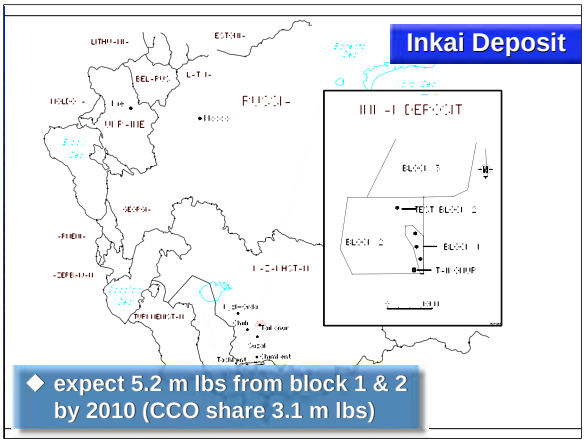
While sulphur is abundant in Kazakhstan, an investment in plant capacity is required to produce the volume of sulphuric acid required by the ISL operations to reach Russia's production targets.

So how does our Inkai project fit into the uranium industry in Kazakhstan?

Inkai, at full production, will account for more than 10% of Kazakhstan's 39 million pound target. Inkai has two production areas currently in development (blocks 1 and 2). Construction is underway for the commercial processing facility at block 1. We expect startup of production in late 2007 with commercial production to follow in 2008.

In order to obtain an operating license for our commercial processing facility, we first had to demonstrate that 80% of the ore body reserve (U_3O_8) could be recovered. We did this by operating a test mine for several years.

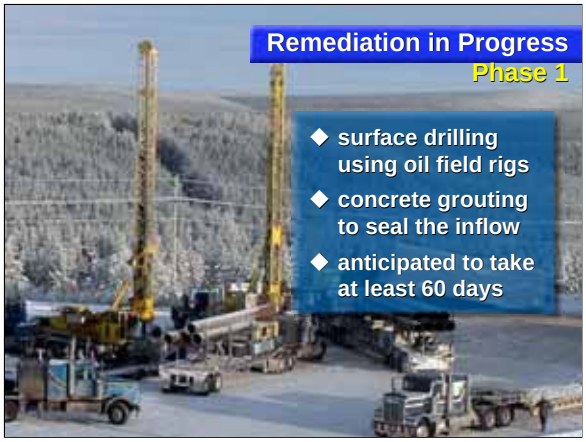
The test mine at block 2 continues to operate and is expected to produce 0.8 million pounds U_3O_8 in 2006. We plan to apply for a mining license in 2007 and commercial development of block 2 is planned for 2008.



Production from blocks 1 and 2 is expected to total 5.2 million pounds by 2010 (Cameco's share – 60% or 3.1 million pounds).

Turning to our Cigar Lake project, which as you know suffered a major setback in late October, we immediately set out a preliminary plan and remediation work is underway.

As our late November news release indicated, with assistance from international experts, we are developing a comprehensive remediation plan. We expect to be able to provide revised capital cost estimates and project timelines in February of 2007.

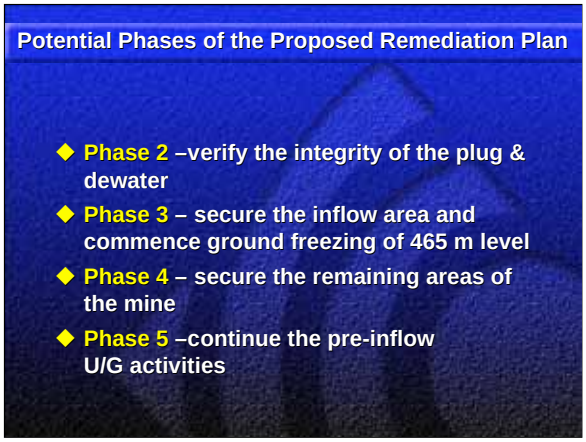


We are proceeding with the most conventional method to restore the underground workings in phases. This involves drilling from surface using oil field rigs and sealing the inflow using concrete and grouting. This phase has been approved by the regulators and is anticipated to take at least 60 days. Similar techniques have been used successfully in other mining operations and in oil and gas operations.

Altogether, we will drill 20 holes down to the access tunnel at the 465 metre level in the vicinity of the source of the inflow. Concrete will be pumped through the drill holes into the tunnel to create a plug downstream from where the rockfall occurred. Once the plug has set, it will be grouted by pumping cement under high pressure into cracks in the rock and concrete mass to seal them off. Subsequently, we will grout the area of the rockfall itself.

Drilling crews of 40 to 50 workers will be working three shifts per day, seven days a week.

Of course there are risks with a project like this but we have the necessary expertise on site to execute the plan. We also have fallback options, such as ground freezing from surface and using different types of grout and cement.



Detailed planning is under way for the next phase that includes verifying the integrity of the plug, pumping the water out of the mine, evaluating the mine workings, restoring underground pumping capacity and ventilation systems, and assessing and repairing the bulkhead doors.

We are also planning the subsequent phases that include ground freezing in the area of the inflow, restoring other underground areas and resumption of mine development.

Regulatory approval is required for each phase, however we anticipate that the phases will fall within the scope of our original environmental assessment, meaning approvals should be easier to obtain.

As of December 2005 the reserves at Cigar Lake were 232 million pounds U_3O_8 (Cameco's share 116 million lbs), with an average ore grade of 19%. During the planning phase we may have to reclassify reserves from proven to probable until uncertainty around the mine plan is removed.

Once operational, the expected annual production at Cigar Lake is 18 million pounds U_3O_8 (Cameco's share 9 million lbs).

There were a number of mine-specific baseload contracts put in place to support development of Cigar Lake. The baseload contracts, which were signed during a lower price environment, contain supply interruption language that allows us to reduce, defer, or terminate deliveries under those contracts in the event of any delay or shortfall in Cigar Lake production.

Cameco remains committed to the recovery and development of the Cigar Lake mine. At the current spot price of US $63 the mine value is estimated at US $14.6 billion.

That provides you with a brief overview of our two major new projects. Now I would like to discuss our strategy for replacing and/or increasing our uranium reserve base.

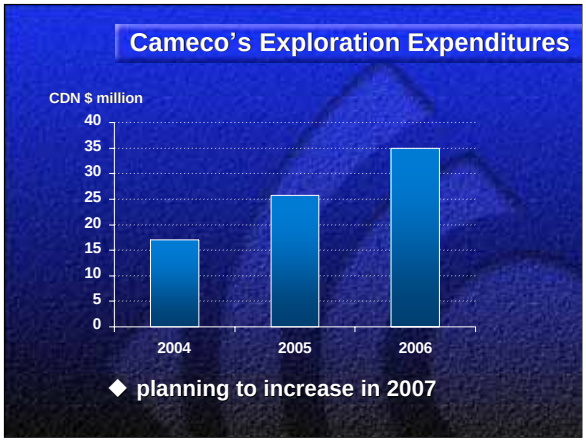
Exploration is a challenging exercise. It's a long-term business where we learn by doing. There is never perfect information.

In Canada today, the dramatic price increase in uranium has stimulated a second uranium exploration cycle. From 2000 to 2005, uranium exploration expenditures increased 10 fold and the number of active projects increased by a factor of four.

50% of all exploration dollars being spent in Canada are coming from the junior mining sector and this percentage is increasing.

We are still very early in the current exploration cycle. However, if prices remain strong and risk capital remains available to the junior sector, we are confident additional discoveries will occur.

Cameco has an active global exploration program and we actively monitor potential acquisition targets for near-term reserves as well as explore both brownfields and greenfield properties. Indeed, our exploration activities today must deliver our production capability for the coming decade or two.



We have been increasing our exploration investment substantially over the past three years and plan further increases in 2007. The majority of our exploration projects are early to middle stage, on which indications of economic grades or quantities of uranium have not yet been identified.

On the merger and acquisition front, Cameco actively monitors the wider universe of opportunities for investments that meet our financial and strategic objectives.

It will take some time for the current exploration cycle to yield reserves and most of the junior exploration companies are early, or at the best, midway through the discovery cycle. Indeed, several have not begun drilling to delineate reserves.

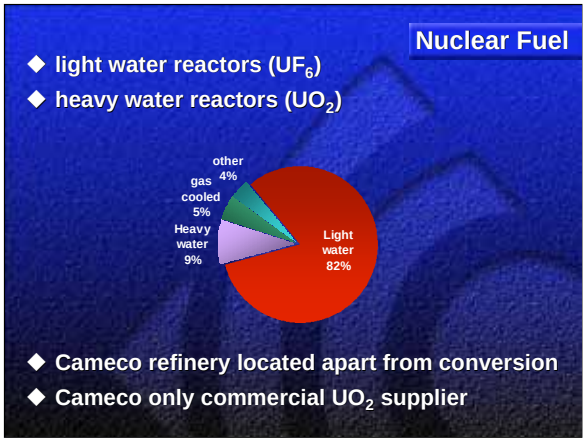
As part of our strategy, we have made small investments in junior companies, UEX in 2002 and more recently UNOR. We expect to invest in more juniors over time. We maintain an ongoing dialogue with numerous companies. Our objective is to position Cameco for future participation in areas with promising results. We will invest in juniors where we feel they have good in-house expertise and/or prospective land positions.

However, we are mindful that the funding of exploration by junior uranium companies is subject to market conditions. As long as the price of uranium continues to climb we expect to see continuing investment in exploration. If the price of uranium takes a downward turn, risk capital may dry up and the exploration cycle could be curtailed.

As evidence of our commitment to our vision, we recently announced a memorandum of understanding with Tenex to pursue future joint ventures in uranium exploration, development and production in Russia, Canada and other prospective jurisdictions.

When formalized, the joint venture will provide us with access to a country with the largest landmass in the world, which until now has been closed to the outside world. We believe Russia remains significantly under-explored. As well, we gain potential access to a new market in a country that has aggressive plans for expansion of nuclear power.

You can see that we are focused first on enhancing our foundation of uranium production. In order to make uranium into fuel for nuclear energy plants, there are a number of further processing steps required, these are refining, conversion and enrichment. More often than not, utilities buy the uranium and contract for the processing steps with different providers. Cameco is a major player in the refining and conversion business and is looking to enter the enrichment business.



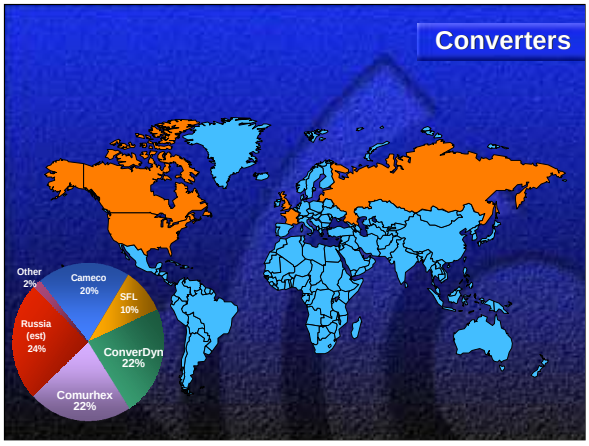
First I will address refining and conversion services…which are often co-located and change the form of uranium (U_3O_8) to either uranium dioxide (UO_2) or uranium hexafluoride (UF_6).

As most of you know, UO_2 is fuel used by the Candu or heavy water reactors, while UF_6 is used in light water reactors.

To put it into perspective, 82% of the reactors around the world are light water reactors (n=362), while heavy water reactors represent 9% (n=40). The remaining reactor types are gas-cooled reactors in the UK and light water graphite reactors in Russia. (WNA data)

Cameco's refinery is in Blind River and its conversion plant is approximately 600 kilometers east in Port Hope, Ontario. Cameco is the only commercial supplier of UO_2 for Candu reactors.

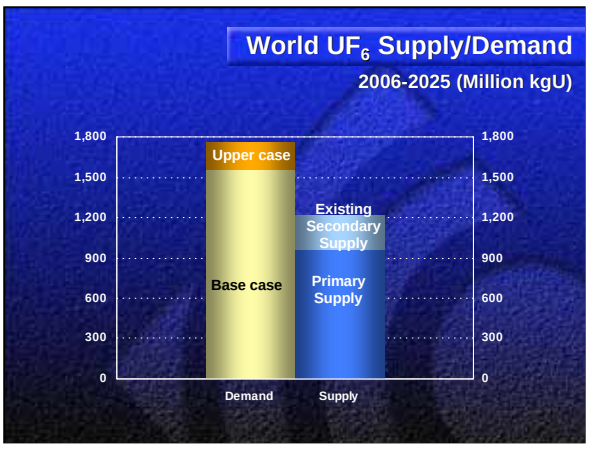
Today, I will focus on the larger conversion services market for UF_6.



The conversion market consists of only a few companies as illustrated on this slide. Current global UF_6 nameplate capacity is approximately 63,000 kilograms uranium.

With Cameco's conversion plant in Port Hope and a 10-year toll-agreement with BNFL at their Springfields conversion plant in Lancashire, UK, Cameco represent about 30% of the world UF_6 nameplate capacity.

Russia represents about 24% of global nameplate capacity, followed by Comurhex in France and Converdyn in the US at 22% each. Much of this capacity is decades old and will require refurbishment or replacement in the next 10 years.



World conversion supply and demand Cameco base requirements

In general, conversion supplies including inventories in the form of UF_6 are currently meeting demand. Like uranium, this market is dependent on secondary supplies, in the form of UF_6 blended down from Russian HEU.

Our base growth scenario shows total demand through 2025 of over 1.5 billion kilograms of uranium.

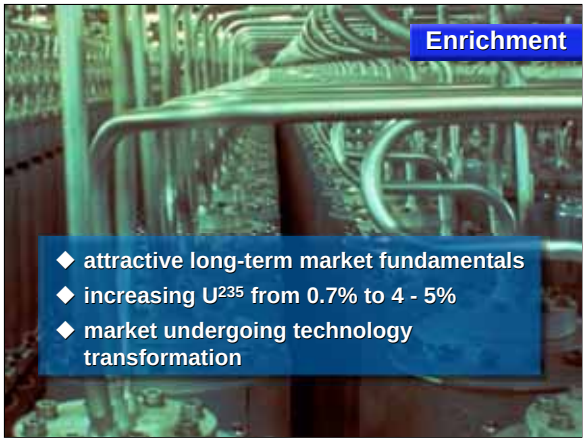
Existing primary and secondary supplies of UF_6 can meet less than 80% of demand over the next 20 years. Thus, in the next 10 years, more conversion capacity will be needed. If the high case for conversion demand should transpire, we would see demand expand by another 200 million kilograms uranium over the 20 year period. This would add further pressure for new conversion capacity.

Over the short term, we expect conversion supply to keep pace with demand, but longer term…the market outlook isn't as rosy.

The two biggest concerns are:

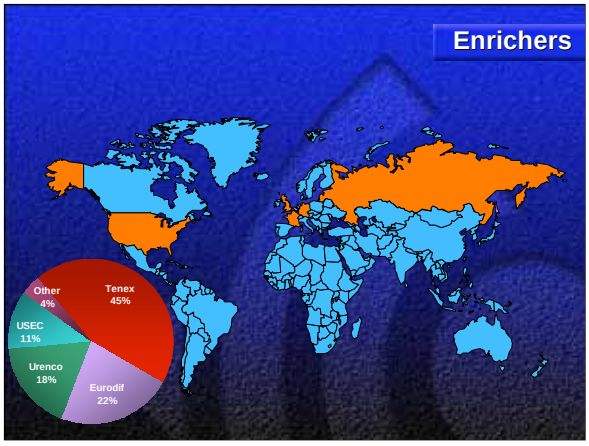
1. the historic lack of investment – which has resulted in a dependence on older infrastructure; and

2. the potential for supply disruption – as we've seen in both the US and France and at our own operations due to a strike in 2005.



As I mentioned, we currently do not participate in the other fuel-processing step - enrichment. However, it is definitely an area that we are interested in expanding into due to attractive long-term fundamentals. Enrichment, in the simplest terms, is the process of increasing the fraction of the fissile isotope of uranium (u –235) from its natural level of 0.7% to about 4% - 5% for light water reactors and greater than 90% for weapons.

In terms of technology and market changes, enrichment is undergoing dramatic transformation.



There are four major commercial enrichment service suppliers with 90% of the world's capacity. They are:

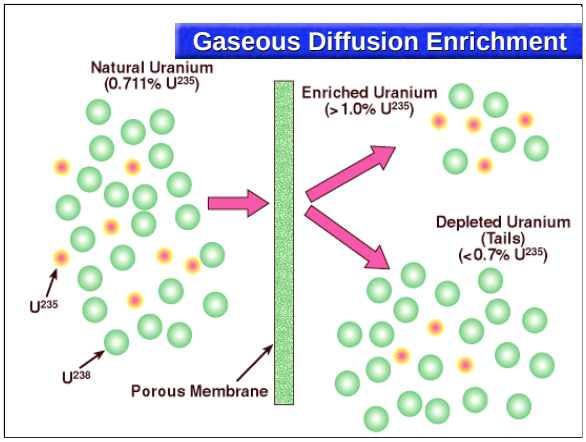
1. Tenex in Russia,

2. Urenco, in Germany, UK and the Netherlands,

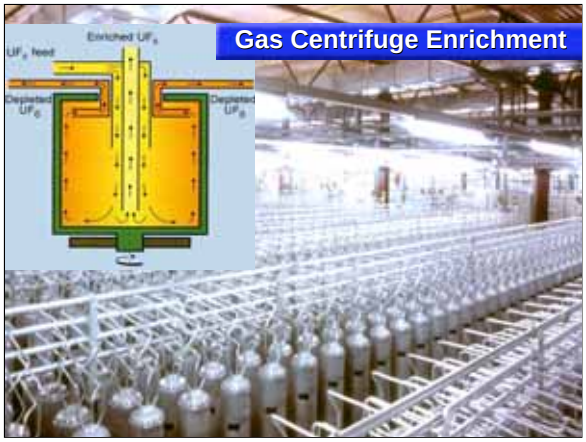
3. Eurodif, in France and

4. USEC in the US.

There are two main types of enrichment technologies used today.



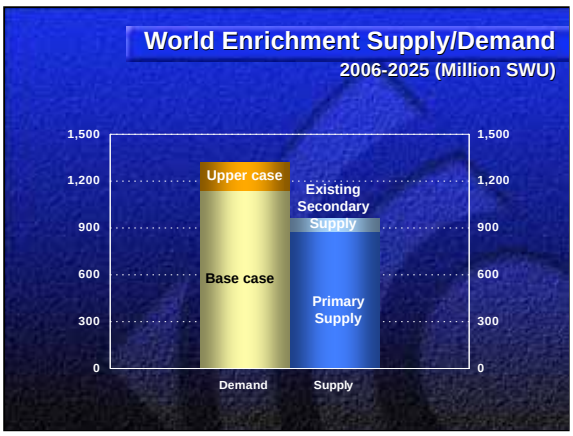
The gaseous diffusion process forces the UF_6 through a series of membranes that allow the smaller fissile U 235 atoms to more easily pass through. Gaseous diffusion is a very expensive method of enriching because of the amount of energy required.



The centrifuge method of enriching involves spinning the UF_6 at rapid speeds to force the heavier U-238 atom to the outside of the centrifuge, leaving the centre with a higher proportion of the fissile U-235. Centrifuge technology requires very little energy, about 2% of the energy needed for gaseous diffusion, but larger capital investment. It has a significant operating cost advantage.

Eurodif Plant (Pierrelatte Site)

Urenco and Tenex both utilize the more energy efficient centrifuge technology to enrich uranium. Eurodif and USEC use gaseous diffusion, however both are making a switch to centrifuge enrichment. Eurodif has an agreement to purchase Urenco's centrifuge technology and USEC is developing its own centrifuge technology under its American Centrifuge project.



So again, using both the base and upper case, demand is expected to increase and outstrip supply. In the base case, the near-term market is relatively in balance, but more capacity is required in the long-term.

Total shortfall through 2025 is nearly 180 million SWU.

In the high case, more capacity would be needed almost immediately and the total shortfall, through 2025, would be over 500 million SWU.

As mentioned earlier, gaseous diffusion plants are a power intensive technology, and with today's high cost of electricity, the focus has shifted to centrifuge technology.

If replacement centrifuge capacity doesn't come on in a timely manner, supply will be tight.

That wraps up my discussion on the front end and brings me to the final topic of the day, Ontario's electricity supply mix and Bruce Power.

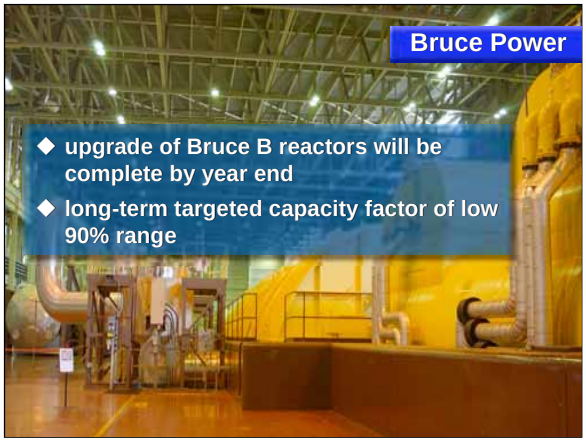
Bruce Power accounts for more than 20 per cent of Ontario's electricity and is the largest independent electricity generator. The Ontario Power Authority is targeting a 20-year plan that includes 14,000 megawatts of installed nuclear capacity from refurbishment of existing units and new build projects.

Under this plan, all four Bruce B units and one Bruce A unit will need to be refurbished or replaced between 2015 and 2020.

Currently, more than 4,700 megawatts come from Bruce Power, and following the restart of Units 1 and 2 that will increase to more than 6,200 megawatts. In order to maintain its capacity, Bruce Power will examine whether it makes economic sense to refurbish the existing units, replace them with new reactors or augment their output by building a third generating station at the site.

When first developed more than 40 years ago, the site was configured to support at least three multi-unit generating stations, but only the first two were built.

In August of this year Bruce Power filed an application with the CNSC to prepare a site for the potential construction of new reactors at its Bruce County facility.



In terms of operating performance, by the end of 2006 we will have completed our extensive capital upgrade projects at Bruce B and we believe the B units will be well equipped to deliver reliable performance, meeting a long-term targeted capacity factor in the low 90% range. As a result, we expect cash distributions from Bruce Power will add significantly to Cameco's cash flow going forward. This is of course dependent on electricity prices in Ontario.

To conclude, I would like to say that despite recent challenges at Cigar Lake, Cameco is well positioned and has the resources to bring new mines into production and to make new discoveries to build our reserve base, the backbone of Cameco's operations.

In 2007 we will focus on bringing our Inkai project into production and getting Cigar Lake back on track.

We will continue to focus on our reserve base by expanding our exploration activities to new prospective locations and/or through strategic investments.

We will look for growth opportunities in mining, conversion and enrichment as well as investment in further power generation.

At Cameco, we remain committed to our vision to be a dominant nuclear energy company.

Thank you.

I appreciate your interest in Cameco and thank you for your attention.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