



Cameco Corporation 2016 consolidated financial statements

February 8, 2017

Report of management's accountability

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgments, are consistent with other information and operating data contained in the annual financial review and reflect the corporation's business transactions and financial position.

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

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The internal control system includes an internal audit function and a code of conduct and ethics, which is communicated to all levels in the organization and requires all employees to maintain high standards in their conduct of the Company's affairs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2016.

KPMG LLP has audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

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

Original signed by Tim S. Gitzel
President and Chief Executive Officer
February 8, 2017

Original signed by Grant E. Isaac
Senior Vice-President and Chief Financial Officer
February 8, 2017

Independent auditors' report

To the Shareholders and Board of Directors of Cameco Corporation:

We have audited the accompanying consolidated financial statements of Cameco Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cameco Corporation as at December 31, 2016 and December 31, 2015 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Original signed by KPMG LLP

Chartered Professional Accountants
February 8, 2017
Saskatoon, Canada

Consolidated statements of earnings

For the years ended December 31 (\$Cdn thousands, except per share amounts)	Note	2016	2015
Revenue from products and services		\$ 2,431,404	\$ 2,754,378
Cost of products and services sold		1,596,235	1,744,815
Depreciation and amortization		371,689	312,518
Cost of sales		1,967,924	2,057,333
Gross profit		463,480	697,045
Administration		206,652	186,810
Impairment charges	8	361,989	215,488
Exploration		42,579	40,259
Research and development		4,952	6,587
Other operating income	15	(34,075)	-
Loss on disposal of assets	8	23,168	2,326
Earnings (loss) from operations		(141,785)	245,575
Finance costs	18	(111,906)	(103,615)
Gain (loss) on derivatives	25	34,407	(280,610)
Finance income		4,379	5,417
Share of loss from equity-accounted investees		-	(758)
Other income	19	60,671	54,723
Loss before income taxes		(154,234)	(79,268)
Income tax recovery	20	(94,355)	(142,630)
Net earnings (loss)		\$ (59,879)	\$ 63,362
Net earnings (loss) attributable to:			
Equity holders		(61,611)	65,286
Non-controlling interest		1,732	(1,924)
Net earnings (loss)		\$ (59,879)	\$ 63,362
Earnings (loss) per common share attributable to equity holders:			
Basic	21	\$ (0.16)	\$ 0.16
Diluted	21	\$ (0.16)	\$ 0.16

See accompanying notes to consolidated financial statements.

Consolidated statements of comprehensive income

For the years ended December 31 (\$Cdn thousands)	Note	2016	2015
Net earnings (loss)		\$ (59,879)	\$ 63,362
Items that will not be reclassified to net earnings:			
Remeasurements of defined benefit liability [note 24] ¹		(2,109)	2,015
Items that are or may be reclassified to net earnings:			
Exchange differences on translation of foreign operations		(77,341)	182,089
Unrealized gains on available-for-sale assets ²		3,790	22
Other comprehensive income (loss), net of taxes		(75,660)	184,126
Total comprehensive income (loss)		\$ (135,539)	\$ 247,488
Other comprehensive income (loss) attributable to:			
Equity holders		\$ (75,826)	\$ 184,288
Non-controlling interest		166	(162)
Other comprehensive income (loss) for the year		\$ (75,660)	\$ 184,126
Total comprehensive income (loss) attributable to:			
Equity holders		\$ (137,437)	\$ 249,574
Non-controlling interest		1,898	(2,086)
Total comprehensive income (loss) for the year		\$ (135,539)	\$ 247,488

¹ Net of tax (2016 - \$834; 2015 - \$(666))

² Net of tax (2016 - \$(399); 2015 - \$(3))

See accompanying notes to consolidated financial statements.

Consolidated statements of financial position

As at December 31 (\$Cdn thousands)	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents		\$ 320,278	\$ 458,604
Accounts receivable	6	242,482	246,865
Current tax assets		11,552	493
Inventories	7	1,287,939	1,285,266
Supplies and prepaid expenses		169,084	180,544
Current portion of long-term receivables, investments and other	10	10,498	12,193
Total current assets		2,041,833	2,183,965
Property, plant and equipment	8	4,655,586	5,228,160
Goodwill and intangible assets	9	203,310	217,130
Long-term receivables, investments and other	10	512,484	449,236
Investments in equity-accounted investees		-	2,472
Deferred tax assets	20	835,985	713,674
Total non-current assets		6,207,365	6,610,672
Total assets		\$ 8,249,198	\$ 8,794,637
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 312,900	\$ 317,856
Current tax liabilities		36,413	56,494
Dividends payable		39,579	39,579
Current portion of other liabilities	14	60,744	241,113
Current portion of provisions	15	19,619	16,595
Total current liabilities		469,255	671,637
Long-term debt	13	1,493,327	1,492,237
Other liabilities	14	122,988	132,142
Provisions	15	889,163	918,163
Deferred tax liabilities	20	15,937	35,179
Total non-current liabilities		2,521,415	2,577,721
Shareholders' equity			
Share capital		1,862,646	1,862,646
Contributed surplus		216,213	209,115
Retained earnings		3,019,872	3,241,902
Other components of equity		159,640	233,357
Total shareholders' equity attributable to equity holders		5,258,371	5,547,020
Non-controlling interest		157	(1,741)
Total shareholders' equity		5,258,528	5,545,279
Total liabilities and shareholders' equity		\$ 8,249,198	\$ 8,794,637

Commitments and contingencies [notes 8, 15, 20]

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in equity

(\$Cdn thousands)	Attributable to equity holders					Total	Non-controlling interest	Total equity
	Share capital	Contributed surplus	Retained earnings	Foreign currency translation	Available for-sale assets			
Balance at January 1, 2016	\$ 1,862,646	\$ 209,115	\$ 3,241,902	\$ 233,918	\$ (561)	\$ 5,547,020	\$ (1,741)	\$ 5,545,279
Net earnings (loss)	-	-	(61,611)	-	-	(61,611)	1,732	(59,879)
Other comprehensive income (loss)	-	-	(2,109)	(77,507)	3,790	(75,826)	166	(75,660)
Total comprehensive income (loss)	-	-	(63,720)	(77,507)	3,790	(137,437)	1,898	(135,539)
Share-based compensation	-	14,101	-	-	-	14,101	-	14,101
Restricted and performance share units released	-	(7,003)	-	-	-	(7,003)	-	(7,003)
Dividends	-	-	(158,310)	-	-	(158,310)	-	(158,310)
Balance at December 31, 2016	\$ 1,862,646	\$ 216,213	\$ 3,019,872	\$ 156,411	\$ 3,229	\$ 5,258,371	\$ 157	\$ 5,258,528
Balance at January 1, 2015	\$ 1,862,646	\$ 196,815	\$ 3,333,099	\$ 51,667	\$ (583)	\$ 5,443,644	\$ 160	\$ 5,443,804
Net earnings (loss)	-	-	65,286	-	-	65,286	(1,924)	63,362
Other comprehensive income (loss)	-	-	2,015	182,251	22	184,288	(162)	184,126
Total comprehensive income (loss)	-	-	67,301	182,251	22	249,574	(2,086)	247,488
Share-based compensation	-	16,853	-	-	-	16,853	-	16,853
Dividends	-	-	(158,313)	-	-	(158,313)	-	(158,313)
Restricted and performance share units released	-	(4,553)	-	-	-	(4,553)	-	(4,553)
Change in ownership interest in subsidiary	-	-	(185)	-	-	(185)	185	-
Balance at December 31, 2015	\$ 1,862,646	\$ 209,115	\$ 3,241,902	\$ 233,918	\$ (561)	\$ 5,547,020	\$ (1,741)	\$ 5,545,279

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31 (\$Cdn thousands)	Note	2016	2015
Operating activities			
Net earnings (loss)		\$ (59,879)	\$ 63,362
Adjustments for:			
Depreciation and amortization		371,689	312,518
Deferred charges		(95,873)	5,834
Unrealized loss (gain) on derivatives		(110,358)	92,166
Share-based compensation	23	14,101	16,853
Loss on sale of assets		23,168	2,326
Finance costs	18	111,906	103,615
Finance income		(4,379)	(5,417)
Share of loss in equity-accounted investees		-	758
Impairment charges	8	361,989	215,488
Other income	19	(1,630)	(54,409)
Other operating income	15	(34,075)	-
Income tax recovery	20	(94,355)	(142,630)
Interest received		1,838	3,922
Income taxes paid		(102,628)	(92,758)
Other operating items	22	(69,134)	(71,618)
Net cash provided by operations		312,380	450,010
Investing activities			
Additions to property, plant and equipment		(216,908)	(358,562)
Decrease (increase) in long-term receivables, investments and other		(3,080)	17,557
Proceeds from sale of property, plant and equipment		2,168	198
Net cash used in investing		(217,820)	(340,807)
Financing activities			
Decrease in debt		-	(10)
Interest paid		(70,446)	(69,507)
Dividends paid		(158,310)	(158,313)
Net cash used in financing		(228,756)	(227,830)
Decrease in cash and cash equivalents, during the year		(134,196)	(118,627)
Exchange rate changes on foreign currency cash balances		(4,130)	10,648
Cash and cash equivalents, beginning of year		458,604	566,583
Cash and cash equivalents, end of year		\$ 320,278	\$ 458,604
Cash and cash equivalents is comprised of:			
Cash		\$ 79,730	\$ 240,603
Cash equivalents		240,548	218,001
Cash and cash equivalents		\$ 320,278	\$ 458,604

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

For the years ended December 31, 2016 and 2015

1. Cameco Corporation

Cameco Corporation is incorporated under the Canada Business Corporations Act. The address of its registered office is 2121 11th Street West, Saskatoon, Saskatchewan, S7M 1J3. The consolidated financial statements as at and for the year ended December 31, 2016 comprise Cameco Corporation and its subsidiaries (collectively, the Company or Cameco) and the Company's interests in associates and joint arrangements. The Company is primarily engaged in the exploration for and the development, mining, refining, conversion, fabrication and trading of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries.

2. Significant accounting policies

A. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were authorized for issuance by the Company's board of directors on February 8, 2017.

B. Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise noted. Amounts presented in tabular format have been rounded to the nearest thousand except per share amounts and where otherwise noted.

The consolidated financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis at each reporting date:

Derivative financial instruments	Fair value
Available-for-sale financial assets	Fair value
Liabilities for cash-settled share-based payment arrangements	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein. These accounting policies have been applied consistently to all entities within the consolidated group.

C. Consolidation principles

i. Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The Company measures goodwill at the acquisition date as the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings. In a business combination achieved in stages, the acquisition date fair value of the Company's previously held equity interest in the acquiree is also considered in computing goodwill.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred and equity interests issued by the Company. Consideration also includes the fair value of any contingent consideration and share-based compensation awards that are replaced mandatorily in a business combination.

The Company elects on a transaction-by-transaction basis whether to measure any non-controlling interest at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Acquisition-related costs are expensed as incurred, except for those costs related to the issue of debt or equity instruments.

ii. Subsidiaries

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Subsidiaries are entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases.

iii. Investments in equity-accounted investees

Cameco's investments in equity-accounted investees include investments in associates.

Associates are those entities over which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity, but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

Investments in associates are accounted for using the equity method. The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for Cameco's proportionate share of the earnings or loss and any other changes in the associates' net assets, such as dividends. The cost of the investment includes transaction costs.

Adjustments are made to align the accounting policies of the associate with those of the Company before applying the equity method. When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, Cameco resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

iv. Joint arrangements

A joint arrangement can take the form of a joint operation or joint venture. All joint arrangements involve a contractual arrangement that establishes joint control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operation may or may not be structured through a separate vehicle. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Company include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is always structured through a separate vehicle. It operates in the same way as other entities, controlling the assets of the joint venture, earning its own revenue and incurring its own liabilities and expenses. Interests in joint ventures are accounted for using the equity method of accounting, whereby the Company's proportionate interest in the assets, liabilities, revenues and expenses of jointly controlled entities are recognized on a single line in the consolidated statements of financial position and consolidated statements of earnings. The share of joint ventures results is recognized in the Company's consolidated financial statements from the date that joint control commences until the date at which it ceases.

v. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

D. Foreign currency translation

Items included in the financial statements of each of Cameco's subsidiaries, associates and joint arrangements are measured using their functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Canadian dollars, which is Cameco's functional and presentation currency.

i. Foreign currency transactions

Foreign currency transactions are translated into the respective functional currency of the Company and its entities using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The applicable exchange gains and losses arising on these transactions are reflected in earnings with the exception of foreign exchange gains or losses on provisions for decommissioning and reclamation activities that are in a foreign currency, which are capitalized in property, plant and equipment.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting dates. The revenues and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, in whole, the relevant amount in the foreign currency translation account is transferred to earnings as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation, and are recognized in other comprehensive income and presented within equity in the foreign currency translation account.

E. Cash and cash equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in money market instruments, which have a term to maturity of three months or less at the time of purchase.

F. Inventories

Inventories of broken ore, uranium concentrates, and refined and converted products are measured at the lower of cost and net realizable value.

Cost includes direct materials, direct labour, operational overhead expenses and depreciation. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Consumable supplies and spares are valued at the lower of cost or replacement value.

G. Property, plant and equipment

i. Buildings, plant and equipment and other

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment charges. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs and any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, including the initial estimate of the cost of dismantling and removing the items and restoring the site on which they are located.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in earnings.

ii. Mineral properties and mine development costs

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred as part of assets under construction and disclosed as a component of property, plant and equipment with the intention that these will be depreciated by charges against earnings from future mining operations. No depreciation is charged against the property until the production stage commences. After a mine property has been brought into the production stage, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depreciated over the remaining life of the related assets.

The production stage is reached when a mine property is in the condition necessary for it to be capable of operating in the manner intended by management. The criteria used to assess the start date of the production stage are determined based on the nature of each mine construction project, including the complexity of a mine site. A range of factors is considered when determining whether the production stage has been reached, which includes, but is not limited to, the demonstration of sustainable production at or near the level intended (such as the demonstration of continuous throughput levels at or above a target percentage of the design capacity).

iii. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset less its residual value. Assets which are unrelated to production are depreciated according to the straight-line method based on estimated useful lives as follows:

Land	Not depreciated
Buildings	15 - 25 years
Plant and equipment	3 - 15 years
Furniture and fixtures	3 - 10 years
Other	3 - 5 years

Mining properties and certain mining and conversion assets for which the economic benefits from the asset are consumed in a pattern which is linked to the production level are depreciated according to the unit-of-production method. For conversion assets, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining assets and properties, the amount of depreciation or depletion is measured by the portion of the mines' proven and probable mineral reserves recovered during the period.

Depreciation methods, useful lives and residual values are reviewed at each reporting period and are adjusted if appropriate.

iv. Borrowing costs

Borrowing costs on funds directly attributable to finance the acquisition, production or construction of a qualifying asset are capitalized until such time as substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. A qualifying asset is one that takes a substantial period of time to prepare for its intended use. Capitalization is discontinued when the asset enters the production stage or development ceases. Where the funds used to finance a project form part of general borrowings, interest is capitalized based on the weighted average interest rate applicable to the general borrowings outstanding during the period of construction.

v. Repairs and maintenance

The cost of replacing a component of property, plant and equipment is capitalized if it is probable that future economic benefits embodied within the component will flow to the Company. The carrying amount of the replaced component is derecognized. Costs of routine maintenance and repair are charged to products and services sold.

H. Goodwill and intangible assets

Goodwill arising from the acquisition of subsidiaries is initially recognized at cost, measured as the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. At the date of acquisition, goodwill is allocated to the cash generating unit (CGU), or group of CGUs that is expected to receive the economic benefits of the business combination. Goodwill is subsequently measured at cost, less accumulated impairment losses.

Intangible assets acquired individually or as part of a group of assets are initially recognized at cost and measured subsequently at cost less accumulated amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets that have finite useful lives are amortized over their estimated remaining useful lives. Amortization methods and useful lives are reviewed at each reporting period and are adjusted if appropriate.

I. Leased assets

Leases which result in the Company receiving substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period of the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease agreements that do not meet the recognition criteria of a finance lease are classified and recognized as operating leases and are not recognized in the Company's consolidated statements of financial position. Payments made under operating leases are charged to income on a straight-line basis over the lease term.

J. Finance income and finance costs

Finance income comprises interest income on funds invested and gains on the disposal of available-for-sale financial assets. Interest income and interest expense are recognized in earnings as they accrue, using the effective interest method. Finance costs comprise interest and fees on borrowings, unwinding of the discount on provisions and costs incurred on redemption of debentures.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are expensed in the period incurred.

K. Research and development costs

Expenditures on research are charged against earnings when incurred. Development costs are recognized as assets when the Company can demonstrate technical feasibility and that the asset will generate probable future economic benefits.

L. Impairment

i. Non-derivative financial assets

Financial assets not classified as fair value through profit and loss are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in equity, to earnings. The cumulative loss that is removed from other comprehensive income and recognized in earnings is the difference between the acquisition cost, net of any principal payment and amortization, and the current fair value, less any impairment loss previously recognized in earnings.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in earnings, then the impairment loss is reversed through earnings, otherwise, it is reversed through other comprehensive income. Impairment losses on available-for-sale equity securities that are recognized in earnings are never reversed through earnings.

ii. Non-financial assets

The carrying amounts of Cameco's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into CGUs which are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value is determined as the amount that would be obtained from the sale of the asset or CGU in an arm's-length transaction between knowledgeable and willing parties. For exploration properties, fair value is based on the implied fair value of the resources in place using comparable market transaction metrics.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date whenever events or changes in circumstances indicate that the impairment may have reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in earnings. An impairment loss in respect of goodwill is not reversed.

M. Exploration and evaluation expenditures

Exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. These expenditures include researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, and compiling prefeasibility and feasibility studies. Exploration and evaluation expenditures are charged against earnings as incurred, except when there is a high degree of confidence in the viability of the project and it is probable that these costs will be recovered through future development and exploitation.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors, including the existence of proven and probable reserves and the demonstration that future economic benefits are probable. When an area is determined to be technically feasible and commercially viable, the exploration and evaluation assets attributable to that area are first tested for impairment and then transferred to property, plant and equipment.

Exploration and evaluation costs that have been acquired in a business combination or asset acquisition are capitalized under the scope of IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and are reported as part of property, plant and equipment.

N. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the risk-adjusted expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. The unwinding of the discount is recognized as a finance cost.

i. Environmental restoration

The mining, extraction and processing activities of the Company normally give rise to obligations for site closure and environmental restoration. Closure and restoration can include facility decommissioning and dismantling, removal or treatment of waste materials, as well as site and land restoration. The Company provides for the closure, reclamation and decommissioning of its operating sites in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. Costs included in the provision comprise all closure and restoration activity expected to occur gradually over the life of the operation and at the time of closure. Routine operating costs that may impact the ultimate closure and restoration activities, such as waste material handling conducted as a normal part of a mining or production process, are not included in the provision.

The timing of the actual closure and restoration expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Closure and restoration provisions are measured at the expected value of future cash flows, discounted to their present value using a current pre-tax risk-free rate. Significant judgments and estimates are involved in deriving the expectations of future activities and the amount and timing of the associated cash flows.

At the time a provision is initially recognized, to the extent that it is probable that future economic benefits associated with the reclamation, decommissioning and restoration expenditure will flow to the Company, the corresponding cost is capitalized as an asset. The capitalized cost of closure and restoration activities is recognized in property, plant and equipment and depreciated on a unit-of-production basis. The value of the provision is gradually increased over time as the effect of discounting unwinds. The unwinding of the discount is an expense recognized in finance costs.

Closure and rehabilitation provisions are also adjusted for changes in estimates. The provision is reviewed at each reporting date for changes to obligations, legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in estimated cash flows or discount rates, and the adjusted cost of the asset is depreciated prospectively.

ii. Waste disposal

The refining, conversion and manufacturing processes generate certain uranium-contaminated waste. The Company has established strict procedures to ensure this waste is disposed of safely. A provision for waste disposal costs in respect of these materials is recognized when they are generated. Costs associated with the disposal, the timing of cash flows and discount rates are estimated both at initial recognition and subsequent measurement.

O. Employee future benefits

i. Pension obligations

The Company accrues its obligations under employee benefit plans. The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan other than a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually, by qualified independent actuaries using the projected unit credit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income, and reports them in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in earnings.

For defined contribution plans, the contributions are recognized as employee benefit expense in earnings in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Other post-retirement benefit plans

The Company provides certain post-retirement health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

iii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

iv. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts an entity's offer of benefits in exchange for termination of employment. Cameco recognizes termination benefits as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

v. Share-based compensation

For equity-settled plans, the grant date fair value of share-based compensation awards granted to employees is recognized as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For cash-settled plans, the fair value of the amount payable to employees is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as employee benefit expense in earnings.

Cameco's contributions under the employee share ownership plan are expensed during the year of contribution. Shares purchased with Company contributions and with dividends paid on such shares become unrestricted on January 1 of the second plan year following the date on which such shares were purchased.

P. Revenue recognition

Cameco supplies uranium concentrates and uranium conversion services to utility customers.

Cameco recognizes revenue on the sale of its nuclear products when the risks and rewards of ownership pass to the customer and collection is reasonably assured. Cameco's sales are pursuant to an enforceable contract that indicates the type of sales arrangement, pricing and delivery terms, as well as details related to the transfer of title.

Cameco has three types of sales arrangements with its customers in its uranium and fuel services businesses. These arrangements include uranium supply, toll conversion services and conversion supply (converted uranium), which is a combination of uranium supply and toll conversion services.

Uranium supply

In a uranium supply arrangement, Cameco is contractually obligated to provide uranium concentrates to its customers. Cameco-owned uranium is physically delivered to conversion facilities (Converters) where the Converter will credit Cameco's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, Cameco instructs the Converter to transfer title of a contractually specified quantity of uranium to the customer's account at the Converter's facility. At this point, the risks and rewards of ownership have been transferred and Cameco invoices the customer and recognizes revenue for the uranium supply.

Toll conversion services

In a toll conversion arrangement, Cameco is contractually obligated to convert customer-owned uranium to a chemical state suitable for enrichment. Based on delivery terms in a sales contract with its customer, Cameco either (i) physically delivers converted uranium to enrichment facilities (Enrichers) where it instructs the Enricher to transfer title of a contractually specified quantity of converted uranium to the customer's account at the Enricher's facility, or (ii) transfers title of a contractually specified quantity of converted uranium to either an Enricher's account or the customer's account. At this point, the risks and rewards of ownership have been transferred and Cameco invoices the customer and recognizes revenue for the toll conversion services.

Conversion supply

In a conversion supply arrangement, Cameco is contractually obligated to provide converted uranium of acceptable origins to its customers. Based on delivery terms in a sales contract with its customer, Cameco either (i) physically delivers converted uranium to the Enricher where it instructs the Enricher to transfer title of a contractually specified quantity of converted uranium to the customer's account at the Enricher's facility, or (ii) transfers title of a contractually specified quantity of converted uranium to either an Enricher's account or a customer's account at Cameco's Port Hope conversion facility. At this point, the risks and rewards of ownership have been transferred and Cameco invoices the customer and recognizes revenue for both the uranium supplied and the conversion service provided.

Q. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

i. Non-derivative financial assets and financial liabilities

At initial recognition, Cameco classifies each of its financial assets and financial liabilities into one of the following categories:

Fair value through profit or loss

A financial asset or liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Cameco classifies a financial instrument as held-for-trading if it was acquired principally for the purpose of selling or repurchasing in the near term, or if it is part of a portfolio with evidence of a recent pattern of short-term profit taking. Directly attributable transaction costs are recognized in earnings as incurred. These financial assets and financial liabilities are measured at fair value, with any gains or losses on revaluation being recognized in earnings.

Held-to-maturity

Held-to-maturity investments are financial assets that an entity has the intention and ability to hold until maturity, provide fixed or determinable payments and contain a fixed maturity date. Assets in this category are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Loans and receivables

Loans and receivables are financial assets that provide fixed or determinable payments and are not quoted in an active market. Assets in this category are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Available-for-sale assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified into any of the other categories. These assets are measured at fair value plus any directly attributable transaction costs with any gains or losses on re-measurement recognized in other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the asset is derecognized or impaired, then the cumulative gain or loss in other comprehensive income is transferred to earnings.

Other financial liabilities

This category consists of all non-derivative financial liabilities that do not meet the definition of held-for-trading liabilities, and that have not been designated as liabilities at fair value through profit or loss. These liabilities are initially recognized at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Transaction costs arising on the issue of equity instruments are recognized directly in equity. Transaction costs that are directly related to the probable issuance of a security that is classified as a financial liability is deducted from the amount of the financial liability when it is initially recognized, or recognized in earnings when the issuance is no longer probable.

Cameco derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognized when its contractual obligations are discharged or cancelled, or expire.

ii. Derivative financial instruments

The Company holds derivative financial instruments to reduce exposure to fluctuations in foreign currency exchange rates and interest rates. Except for those designated as hedging instruments, all derivative financial instruments are recorded at fair value in the consolidated statements of financial position, with any directly attributable transaction costs recognized in earnings as incurred. Subsequent to initial recognition, changes in fair value are recognized in earnings.

The purpose of hedging transactions is to modify the Company's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging item. When hedge accounting is appropriate, the hedging relationship is designated as a fair value hedge, a cash flow hedge, or a foreign currency risk hedge related to a net investment in a foreign operation. The Company does not have any instruments that have been designated as hedge transactions at December 31, 2016 and 2015.

Separable embedded derivatives

Derivatives may be embedded in other financial instruments or executory contracts (the “host instrument”). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in earnings through gains or losses on derivatives.

R. Income tax

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be paid or recovered from the taxation authorities.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company’s exposure to uncertain tax positions is evaluated and a provision is made where it is probable that this exposure will materialize.

S. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects.

T. Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Earnings per share is calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of common shares outstanding.

Diluted earnings per share is determined by adjusting the net earnings attributable to equity holders of the Company and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation of diluted earnings per share assumes that outstanding options which are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

U. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other segments. To be classified as a segment, discrete financial information must be available and operating results must be regularly reviewed by the Company's Chief Executive Officer.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. Accounting standards

A. New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. Cameco does not intend to early adopt any of the following standards or amendments to existing standards, unless otherwise noted.

i. Revenue

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. Cameco does not expect the standard to have a material impact on the financial statements.

ii. Financial instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9). IFRS 9 replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets, a new expected credit loss model for calculating impairment on financial assets and new hedge accounting requirements. It also carries forward, from IAS 39, guidance on recognition and derecognition of financial instruments.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. Cameco does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

iii. Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

iv. Disclosure initiative

In January 2017, the IASB issued *Disclosure Initiative* (Amendments to IAS 7). The standard applies prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Cameco does not expect the amendments to have a material impact on the financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The fair value of an asset or liability is generally estimated as the amount that would be received on sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the reporting date. Fair values of assets and liabilities traded in an active market are determined by reference to last quoted prices, in the principal market for the asset or liability. In the absence of an active market for an asset or liability, fair values are determined based on market quotes for assets or liabilities with similar characteristics and risk profiles, or through other valuation techniques. Fair values determined using valuation techniques require the use of inputs, which are obtained from external, readily observable market data when available. In some circumstances, inputs that are not based on observable data must be used. In these cases, the estimated fair values may be adjusted in order to account for valuation uncertainty, or to reflect the assumptions that market participants would use in pricing the asset or liability.

All fair value measurements are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the reporting date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the transfer occurred. There were no transfers between level 1, level 2, or level 3 during the period. Cameco does not have any recurring fair value measurements that are categorized as level 3 as of the reporting date.

Further information about the techniques and assumptions used to measure fair values is included in the following notes:

Note 8 - Property, plant and equipment

Note 9 - Goodwill and intangible assets

Note 23 - Share-based compensation plans

Note 25 - Financial instruments and risk management

5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about critical judgments in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is discussed below. Further details of the nature of these judgments, estimates and assumptions may be found in the relevant notes to the consolidated financial statements.

A. Recoverability of long-lived and intangible assets

Cameco assesses the carrying values of property, plant and equipment, and intangible assets when there is an indication of possible impairment. Goodwill and intangible assets not yet available for use or with indefinite useful lives are tested for impairment annually. If it is determined that carrying values of assets or goodwill cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production, sustaining capital requirements and mineral reserves. Other assumptions used in the calculation of recoverable amounts are discount rates, future cash flows and profit margins. A material change in assumptions may significantly impact the potential impairment of these assets.

B. Cash generating units

In performing impairment assessments of long-lived assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these CGUs.

C. Provisions for decommissioning and reclamation of assets

Significant decommissioning and reclamation activities are often not undertaken until near the end of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or mineral reserves may result in a material change in the amount charged to earnings.

D. Income taxes

Cameco operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law and management's expectations of future operating results. Cameco estimates deferred income taxes based on temporary differences between the income and losses reported in its consolidated financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as deferred tax assets or liabilities in the consolidated financial statements. The calculation of income taxes requires the use of judgment and estimates. The determination of the recoverability of deferred tax assets is dependent on assumptions and judgments regarding future market conditions, production rates and intercompany sales. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted.

E. Commencement of production stage

Until a mining property is declared as being in the production stage, all costs related to its development are capitalized. The determination of the date on which a mine enters the production stage is a matter of judgment that impacts when capitalization of development costs ceases and depreciation of the mining property commences and is charged to earnings. Refer to note 2 (g)(ii) for further information on the criteria used to make this assessment.

F. Mineral reserves

Depreciation on property, plant and equipment is primarily calculated using the unit-of-production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated mineral reserves. Estimates of life-of-mine and amounts of mineral reserves are updated annually and are subject to judgment and significant change over time. If actual mineral reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation charged to earnings.

G. Purchase price allocations

The purchase price related to a business combination or asset acquisition is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires Cameco to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts Cameco's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

H. Determination of joint control

Cameco conducts certain operations through joint ownership interests. Judgment is required in assessing whether Cameco has joint control over the investee, which involves determining the relevant activities of the arrangement and whether decisions around relevant activities require unanimous consent. Judgment is also required to determine whether a joint arrangement should be classified as a joint venture or joint operation. Classifying the arrangement requires us to assess our rights and obligations arising from the arrangement. Specifically, management considers the structure of the joint arrangement and whether it is structured through a separate vehicle and when the arrangement is structured through a separate vehicle, we also consider the rights and obligations arising from the legal form of the separate vehicle, the terms of the contractual arrangements and other facts and circumstances, when relevant. This judgment influences whether we equity account or proportionately consolidate our interest in the arrangement.

6. Accounts receivable

	2016	2015
Trade receivables	\$ 236,373	\$ 236,859
HST/VAT receivables	3,968	6,239
Other receivables	2,141	3,767
Total	\$ 242,482	\$ 246,865

The Company's exposure to credit and currency risks as well as impairment loss related to trade and other receivables, excluding harmonized sales tax (HST)/value added tax (VAT) receivables is disclosed in note 25.

7. Inventories

	2016	2015
Uranium		
Concentrate	\$ 989,202	\$ 887,083
Broken ore	45,581	41,722
	1,034,783	928,805
NUKEM	141,040	216,361
Fuel services	112,116	140,100
Total	\$ 1,287,939	\$ 1,285,266

In the second quarter of 2015, the production stage was reached at Cameco's Cigar Lake operation. Effective May 1, 2015, we commenced charging all production costs, including depreciation, to inventory and subsequently recognizing in cost of sales as the product is sold.

Cameco expensed \$1,752,000,000 of inventory as cost of sales during 2016 (2015 - \$1,935,000,000). Included in cost of sales is an \$18,054,000 net write-down to reflect net realizable value (2015 - \$3,400,000 net recovery).

NUKEM enters into financing arrangements where future receivables arising from certain sales contracts are sold to financial institutions in exchange for cash. These arrangements require NUKEM to satisfy its delivery obligations under the sales contracts, which are recognized as deferred sales (note 14). In addition, NUKEM is required to pledge the underlying inventory as security against these performance obligations. As of December 31, 2016, NUKEM had \$4,884,000 (\$3,637,000 (US)) of inventory pledged as security under financing arrangements ((2015 - \$97,945,000 (\$70,770,000 (US))).

8. Property, plant and equipment

At December 31, 2016

	Land and buildings	Plant and equipment	Furniture and fixtures	Under construction	Exploration and evaluation	Total
Cost						
Beginning of year	\$ 4,862,160	\$ 2,528,488	\$ 121,299	\$ 512,301	\$ 1,147,100	\$ 9,171,348
Additions	25,821	29,231	9,355	150,343	2,158	216,908
Transfers	168,784	126,871	3,410	(305,944)	6,879	-
Change in reclamation provision	(23,124)	-	-	-	-	(23,124)
Disposals	(27,311)	(34,611)	(38,233)	(15,490)	-	(115,645)
Effect of movements in exchange rates	(26,841)	(9,436)	(663)	(870)	(35,496)	(73,306)
End of year	4,979,489	2,640,543	95,168	340,340	1,120,641	9,176,181
Accumulated depreciation and impairment						
Beginning of year	2,226,202	1,353,308	110,444	88,681	164,553	3,943,188
Depreciation charge	196,564	129,892	6,957	-	198	333,611
Transfers	27,101	(26,770)	(331)	-	-	-
Disposals	(21,736)	(19,794)	(37,981)	(10,603)	-	(90,114)
Impairment charges ^{(a)(b)}	97,152	28,677	2,011	2,596	231,553	361,989
Effect of movements in exchange rates	(17,071)	(4,360)	(508)	-	(6,140)	(28,079)
End of year	2,508,212	1,460,953	80,592	80,674	390,164	4,520,595
Net book value at December 31, 2016	\$ 2,471,277	\$ 1,179,590	\$ 14,576	\$ 259,666	\$ 730,477	\$ 4,655,586

At December 31, 2015

	Land and buildings	Plant and equipment	Furniture and fixtures	Under construction	Exploration and evaluation	Total
Cost						
Beginning of year	\$ 3,423,736	\$ 1,984,721	\$ 120,072	\$ 1,962,500	\$ 1,084,715	\$ 8,575,744
Additions	35,579	23,919	1,329	292,443	2,450	355,720
Transfers	1,245,941	508,007	5,950	(1,747,248)	(12,650)	-
Change in reclamation provision	26,348	-	-	-	-	26,348
Disposals	(7,491)	(38,077)	(9,198)	(2,476)	(229)	(57,471)
Effect of movements in exchange rates	138,047	49,918	3,146	7,082	72,814	271,007
End of year	4,862,160	2,528,488	121,299	512,301	1,147,100	9,171,348
Accumulated depreciation and impairment						
Beginning of year	1,769,526	1,164,969	104,101	91,621	154,506	3,284,723
Depreciation charge	232,179	133,655	12,925	-	192	378,951
Transfers	21,368	94	-	(21,462)	-	-
Disposals	(2,296)	(37,530)	(9,168)	-	-	(48,994)
Impairment charge ^(c)	120,343	70,827	108	18,522	-	209,800
Effect of movements in exchange rates	85,082	21,293	2,478	-	9,855	118,708
End of year	2,226,202	1,353,308	110,444	88,681	164,553	3,943,188
Net book value at December 31, 2015	\$ 2,635,958	\$ 1,175,180	\$ 10,855	\$ 423,620	\$ 982,547	\$ 5,228,160

Cameco has contractual capital commitments of approximately \$51,000,000 at December 31, 2016. Certain of the contractual commitments may contain cancellation clauses, however the Company discloses the commitments based on management's intent to fulfill the contract. The majority of this amount is expected to be incurred in 2017.

(a) In the fourth quarter of 2016, Cameco recognized a \$237,621,000 impairment charge relating to Kintyre, its uranium exploration project in Australia. Due to the weakening of the uranium market and the budget decision not to commit further expenditures to the project, the Company concluded it was appropriate to recognize an impairment charge. The charge was for the full carrying value of the CGU.

(b) In the second quarter of 2016, production was suspended at our Rabbit Lake operation in northern Saskatchewan. In accordance with the provisions of IAS 36, *Impairment of Assets*, Cameco considered this to be an indicator that the assets of the cash generating unit could potentially be impaired and accordingly, we were required to estimate the recoverable amount of these assets.

An impairment charge of \$124,368,000 was recognized as part of the uranium segment. The charge was for the full carrying value of this cash generating unit. The recoverable amount of the mine and mill was based on a fair value less costs to sell model, which incorporated the future cash flows, including care and maintenance costs, expected to be derived from the operation. It was categorized as a non-recurring level 3 fair value measurement.

The discount rate used in the fair value less costs to sell calculation was 8% and was determined based on a market participant's incremental borrowing cost, adjusted for the marginal return that the participant would expect to use on an investment in the mine and mill. Other key assumptions included uranium price forecasts and operating and capital cost forecasts. Uranium prices applied in the calculation were based on approved internal price forecasts, which reflect management's expectation of prices that a market participant would use. Operating and capital cost forecasts were determined based on management's internal cost estimates.

(c) During 2015, Cameco recognized a \$209,800,000 impairment charge relating to its Rabbit Lake mill in northern Saskatchewan, which is part of its uranium segment. Due to increased uncertainty around future production sources for the Rabbit Lake mill as a result of ongoing economic conditions, the Company concluded it was appropriate to recognize an impairment charge. The amount of the charge was determined as the excess of the carrying value over the recoverable amount. The recoverable amount of the mill was determined to be \$68,971,000 based on a fair value less costs to sell model, which incorporated the future cash flows expected to be derived from the mill. It is categorized as a non-recurring level 3 fair value measurement.

The discount rate used in the fair value less costs to sell calculation was 8% and was determined based on a market participant's incremental borrowing cost, adjusted for the marginal return that the participant would expect to use on an investment in the mill. The recoverable amount is not sensitive to changes in the discount rate. Other key assumptions include operating and capital cost forecasts and the margin applied. Operating and capital cost forecasts have been determined based on management's internal cost estimates. A 10% increase in these cost assumptions decreases the recoverable amount by \$7,900,000.

9. Goodwill and intangible assets

A. Reconciliation of carrying amount

At December 31, 2016

	Goodwill	Contracts	Intellectual property	Patents	Total
Cost					
Beginning of year	\$ 122,314	\$ 121,148	\$ 118,819	\$ 12,098	\$ 374,379
Effect of movements in exchange rates	(3,650)	(3,615)	-	(361)	(7,626)
End of year	118,664	117,533	118,819	11,737	366,753
Accumulated amortization					
Beginning of year	-	108,809	45,430	3,010	157,249
Amortization charge	-	4,613	4,159	642	9,414
Effect of movements in exchange rates	-	(3,138)	-	(82)	(3,220)
End of year	-	110,284	49,589	3,570	163,443
Net book value at December 31, 2016	\$ 118,664	\$ 7,249	\$ 69,230	\$ 8,167	\$ 203,310

At December 31, 2015

	Goodwill	Contracts	Intellectual property	Patents	Total
Cost					
Beginning of year	\$ 102,526	\$ 101,549	\$ 118,819	\$ 10,141	\$ 333,035
Effect of movements in exchange rates	19,788	19,599	-	1,957	41,344
End of year	122,314	121,148	118,819	12,098	374,379
Accumulated amortization					
Beginning of year	-	88,978	40,992	1,963	131,933
Amortization charge	-	2,458	4,438	609	7,505
Effect of movements in exchange rates	-	17,373	-	438	17,811
End of year	-	108,809	45,430	3,010	157,249
Net book value at December 31, 2015	\$ 122,314	\$ 12,339	\$ 73,389	\$ 9,088	\$ 217,130

B. Amortization

The intangible asset values relate to intellectual property acquired with Cameco Fuel Manufacturing Inc. (CFM), patents acquired with UFP Investments LLC (UFP) and purchase and sales contracts acquired with NUKEM. The CFM intellectual property is being amortized on a unit-of-production basis over its remaining life. Amortization is allocated to the cost of inventory and is recognized in cost of products and services sold as inventory is sold. The patents acquired with UFP are being amortized to cost of products and services sold on a straight-line basis over their remaining life which expires in July 2029. The NUKEM purchase and sales contracts will be amortized to earnings over the remaining terms of the underlying contracts, which extend to 2022. Amortization of the purchase contracts is allocated to the cost of inventory and is included in cost of products and services sold as inventory is sold. Sales contracts are amortized to revenue. Approximately \$640,000 of pre-tax earnings (in USD) relating to the amortization of the fair value allocated to the NUKEM contracts will be amortized in 2017 with the remaining balance being recognized fairly evenly each year through 2022.

C. Impairment test

For the purpose of impairment testing, goodwill is attributable to NUKEM, which is considered to be a CGU.

The recoverable amount of NUKEM was estimated based on a fair value less costs of disposal calculation, which involved discounting the future cash flows expected to be generated by the CGU. It is categorized as a non-recurring level 3 fair value measurement. The recoverable amount exceeded its carrying value by \$34,000,000 (US) and therefore no impairment loss was recognized.

Five years of cash flows were included in the discounted cash flow model. Any cash flows expected to be generated beyond the initial five-year period were extrapolated using a terminal value growth rate. The projected cash flows included in the calculation were based upon NUKEM's approved financial forecasts and strategic plan, which incorporate NUKEM's current contract portfolio as well as sales volumes that a market participant could expect. The key assumptions used in the estimation of the value in use were as follows:

	2016
Discount rate	10.0%
Terminal value growth rate	1.6%

The discount rate was determined based on a market participant's incremental borrowing cost, adjusted for the marginal return that the participant would expect to earn on an investment in the entity. It represents a nominal, post-tax figure. The terminal value growth rate was determined based on management's expected average annual long-term growth in the uranium industry.

Other key assumptions include uranium price forecasts and perpetual cash flows. Uranium prices applied in the calculation were based on approved internal price forecasts, which reflect management's experience and industry expertise. These prices are consistent with expected long-term prices observed in the market. Perpetual cash flows have been determined based on the future business activity that a market participant could expect.

Cameco has validated the results of the fair value less costs of disposal calculation by performing sensitivity tests on its key assumptions. Holding all other variables constant, the decreases in recoverable amount created by marginal changes in each of the key assumptions are as follows:

	Change in assumption	Amount of decrease
Discount rate	1% increase	\$20,364
Terminal value growth rate	1% decrease	15,304
Uranium prices	\$1/lb decrease	3,881
Perpetual annual cash flow	\$1 million (US) decrease	7,877

As a result of these tests, the Company believes that any reasonably possible changes in the key assumptions would not result in NUKEM's carrying amount exceeding its recoverable amount.

10. Long-term receivables, investments and other

	2016	2015
Investments in equity securities [note 25]	\$ 14,807	\$ 938
Derivatives [note 25]	10,612	11,143
Advances receivable from JV Inkai LLP [note 30]	90,095	87,188
Investment tax credits	93,920	93,972
Amounts receivable related to tax dispute [note 20]	264,042	232,614
Other	49,506	35,574
	522,982	461,429
Less current portion	(10,498)	(12,193)
Net	\$ 512,484	\$ 449,236

11. Accounts payable and accrued liabilities

	2016	2015
Trade payables	\$ 213,481	\$ 199,084
Non-trade payables	85,632	107,731
Payables due to related parties	13,787	11,041
Total	\$ 312,900	\$ 317,856

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

12. Short-term debt

Cameco borrows directly in the commercial paper market. At December 31, 2016 and 2015, there was no commercial paper outstanding.

NUKEM has a multicurrency revolving loan facility that is available until October 1, 2020. Total funds of €75,000,000 are available under the facility, with the option to increase the facility by an additional €25,000,000. Amounts can be drawn in either Euros or US dollars in the form of bank overdrafts, letters of credit, short-term loans or foreign exchange facilities. Any amounts drawn in Euros bear interest at a rate equal to the comparable EURIBOR on the draw date plus 0.6%, while amounts drawn in US dollars bear interest at a rate equal to the comparable LIBOR on the draw date plus 0.6%.

At December 31, 2016 and 2015, there were no amounts withdrawn against the facility. As of December 31, 2016, NUKEM has \$107,000 (US) in letters of credit outstanding against the facility (2015 - \$406,000 (US)).

The terms of the facility contain a financial covenant that requires NUKEM to maintain a minimum working capital to debt ratio of 1.35. The facility also stipulates Cameco as a guarantor for NUKEM's withdrawals and requires the Company to maintain a credit rating of at least BBB-. Failure to comply with these covenants could result in cancellation of the facility and accelerated payment of any outstanding amounts. As of December 31, 2016, NUKEM and Cameco were in compliance with the covenants and the Company does not expect its operating and investing activities in 2017 to be constrained by them.

13. Long-term debt

	2016	2015
Unsecured debentures		
Series D - 5.67% debentures due September 2, 2019	\$ 498,472	\$ 497,954
Series E - 3.75% debentures due November 14, 2022	398,346	398,097
Series F - 5.09% debentures due November 14, 2042	99,256	99,243
Series G - 4.19% debentures due June 24, 2024	497,253	496,943
Total	\$ 1,493,327	\$ 1,492,237

Cameco has a \$1,250,000,000 unsecured revolving credit facility that is available until November 1, 2020. Upon mutual agreement, the facility can be extended for an additional year on the anniversary date. In addition to direct borrowings under the facility, up to \$100,000,000 can be used for the issuance of letters of credit and, to the extent necessary, it may be used to provide liquidity support for the Company's commercial paper program. The agreement also provides the ability to increase the revolving credit facility above \$1,250,000,000 by increments no less than \$50,000,000, to a total of \$1,750,000,000. The facility ranks equally with all of Cameco's other senior debt. As of December 31, 2016 and 2015, there were no amounts outstanding under this facility.

Cameco has \$1,658,727,000 (2015 - \$1,490,809,000) in letter of credit facilities. Outstanding and committed letters of credit at December 31, 2016 amounted to \$1,470,435,000 (2015 - \$1,384,061,000), the majority of which relate to future decommissioning and reclamation liabilities (note 15).

Cameco is bound by a covenant in its revolving credit facility. The covenant requires a funded debt to tangible net worth ratio equal to or less than 1:1. Non-compliance with this covenant could result in accelerated payment and termination of the revolving credit facility. At December 31, 2016, Cameco was in compliance with the covenant and does not expect its operating and investing activities in 2017 to be constrained by it.

The table below represents currently scheduled maturities of long-term debt:

	2017	2018	2019	2020	2021	Thereafter	Total
\$	-	-	498,472	-	-	994,855	\$ 1,493,327

14. Other liabilities

	2016	2015
Deferred sales	\$ 29,423	\$ 132,904
Derivatives [note 25]	58,885	168,236
Accrued pension and post-retirement benefit liability [note 24]	69,699	64,135
Other	25,725	7,980
	183,732	373,255
Less current portion	(60,744)	(241,113)
Net	\$ 122,988	\$ 132,142

Deferred sales includes \$6,143,000 (\$4,575,000 (US)) of performance obligations relating to financing arrangements entered into by NUKEM (2015 - \$110,749,000 (\$80,021,000 (US))) (note 7).

15. Provisions

	Reclamation	Waste disposal	Total
Beginning of year	\$ 917,034	\$ 17,724	\$ 934,758
Changes in estimates and discount rates			
Capitalized in property, plant and equipment	10,950	-	10,950
Recognized in earnings	(34,075)	(265)	(34,340)
Provisions used during the period	(11,117)	(2,391)	(13,508)
Unwinding of discount [note 18]	20,636	97	20,733
Effect of movements in exchange rates	(9,811)	-	(9,811)
End of period	\$ 893,617	\$ 15,165	\$ 908,782
Current	\$ 18,020	\$ 1,599	\$ 19,619
Non-current	875,597	13,566	889,163
	\$ 893,617	\$ 15,165	\$ 908,782

A. Reclamation provision

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

Cameco estimates total future decommissioning and reclamation costs for its existing operating assets to be \$1,037,302,000 (2015 - \$974,785,000). The expected timing of these outflows is based on life-of-mine plans with the majority of expenditures expected to occur after 2022. These estimates are reviewed by Cameco technical personnel as required by regulatory agencies or more frequently as circumstances warrant. In connection with future decommissioning and reclamation costs, Cameco has provided financial assurances of \$998,207,000 (2015 - \$1,010,784,000) in the form of letters of credit to satisfy current regulatory requirements.

The reclamation provision relates to the following segments:

	2016	2015
Uranium	\$ 645,219	\$ 741,561
Fuel services	248,398	175,473
Total	\$ 893,617	\$ 917,034

B. Waste disposal

The fuel services segment consists of the Blind River refinery, Port Hope conversion facility and Cameco Fuel Manufacturing Inc.. The refining, conversion and manufacturing processes generate certain uranium contaminated waste. These include contaminated combustible material (paper, rags, gloves, etc.) and contaminated non-combustible material (metal parts, soil from excavations, building and roofing materials, spent uranium concentrate drums, etc.). These materials can in some instances be recycled or reprocessed. A provision for waste disposal costs in respect of these materials is recognized when they are generated.

Cameco estimates total future costs related to existing waste disposal to be \$14,930,000 (2015 - \$17,158,000). The majority of these expenditures are expected to occur within the next three years.

16. Share capital

Authorized share capital:

- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of voting common shares, no stated par value, and
- One Class B share

A. Common Shares

Number issued (number of shares)	2016	2015
Beginning of year	395,792,522	395,792,522
Issued:		
Stock option plan [note 23]	-	-
Total	395,792,522	395,792,522

All issued shares are fully paid.

B. Class B share

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

C. Dividends

Dividends on Cameco Corporation common shares are declared in Canadian dollars. For the year ended December 31, 2016, the dividend declared per share was \$0.40 (December 31, 2015 - \$0.40).

17. Employee benefit expense

The following employee benefit expenses are included in cost of products and services sold, administration, exploration, research and development and property, plant and equipment:

	2016	2015
Wages and salaries	\$ 379,620	\$ 397,730
Statutory and company benefits	66,402	65,936
Expenses related to defined benefit plans [note 24]	5,128	5,003
Expenses related to defined contribution plans [note 24]	17,716	17,961
Equity-settled share-based compensation [note 23]	19,305	22,148
Cash-settled share-based compensation [note 23]	(822)	(1,011)
Total	\$ 487,349	\$ 507,767

18. Finance costs

	2016	2015
Interest on long-term debt	\$ 73,434	\$ 74,969
Unwinding of discount on provisions [15]	20,733	21,428
Other charges	16,860	7,101
Interest on short-term debt	879	117
Total	\$ 111,906	\$ 103,615

No borrowing costs were determined to be eligible for capitalization during the year.

19. Other income (expense)

	2016	2015
Foreign exchange gains (losses)	\$ (5,935)	\$ 59,323
Contract settlements	59,027	-
Gain on change in investment accounting	7,032	-
Other	547	(4,600)
Total	\$ 60,671	\$ 54,723

During the year, Cameco agreed to terminate two long-term supply contracts with two of its utility customers that were effective for the years 2016 through 2020 and 2016 through 2021. The resulting gain on contract settlements was \$59,027,000.

Also during the year, Cameco's share in one of its associates decreased such that equity accounting was no longer appropriate. As a result, the difference between its carrying value and fair value was recognized in other income. As an available-for-sale investment, future changes in fair value are being recognized in other comprehensive income.

20. Income taxes

A. Significant components of deferred tax assets and liabilities

	Recognized in earnings		As at December 31	
	2016	2015	2016	2015
Assets				
Property, plant and equipment	\$ 118,853	\$ -	\$ 118,853	\$ -
Provision for reclamation	(11,001)	1,572	244,012	253,821
Foreign exploration and development	(43)	(782)	5,279	5,322
Income tax losses	(22,093)	88,186	402,550	424,344
Defined benefit plan actuarial losses	-	-	5,691	5,184
Long-term investments and other	(25,589)	15,316	56,093	82,273
Deferred tax assets	60,127	104,292	832,478	770,944
Liabilities				
Property, plant and equipment	(68,385)	(111,080)	-	69,875
Inventories	(10,144)	1,984	12,430	22,574
Deferred tax liabilities	(78,529)	(109,096)	12,430	92,449
Net deferred tax asset	\$ 138,656	\$ 213,388	\$ 820,048	\$ 678,495
Deferred tax allocated as			2016	2015
Deferred tax assets			\$ 835,985	\$ 713,674
Deferred tax liabilities			(15,937)	(35,179)
Net deferred tax asset			\$ 820,048	\$ 678,495

Based on projections of future income, realization of these deferred tax assets is probable and consequently a deferred tax asset has been recorded.

B. Movement in net deferred tax assets and liabilities

	2016	2015
Net deferred tax asset at beginning of year	\$ 678,495	\$ 462,446
Recovery for the year in net earnings ^(a)	138,656	213,388
Recovery (expense) for the year in other comprehensive income	435	(669)
Effect of movements in exchange rates	2,462	3,330
End of year	\$ 820,048	\$ 678,495

(a) In 2015, we reversed amounts related to our deferred tax asset in the US totalling \$72,600,000. We determined that it was no longer probable that there would be sufficient taxable profit in the future against which the operating losses and other tax deductions could be used.

C. Significant components of unrecognized deferred tax assets

	2016	2015
Income tax losses	\$ 284,338	\$ 194,045
Property, plant and equipment	3,789	1,904
Provision for reclamation	40,749	25,952
Long-term investments and other	107,096	107,305
Total	\$ 435,972	\$ 329,206

D. Tax rate reconciliation

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

	2016	2015
Loss before income taxes and non-controlling interest	\$ (154,234)	\$ (79,268)
Combined federal and provincial tax rate	26.9%	26.9%
Computed income tax recovery	(41,489)	(21,323)
Increase (decrease) in taxes resulting from:		
Difference between Canadian rates and rates applicable to subsidiaries in other countries	(175,092)	(197,967)
Change in unrecognized deferred tax assets	106,766	111,575
Other taxes	(2,278)	2,172
Share-based compensation plans	1,221	1,528
Change in tax provision related to transfer pricing	8,000	(35,000)
Non-deductible (non-taxable) capital amounts	-	(2,362)
Other permanent differences	8,517	(1,253)
Income tax recovery	\$ (94,355)	\$ (142,630)

E. Earnings and income taxes by jurisdiction

	2016	2015
Earnings (loss) before income taxes		
Canada	\$ (463,946)	\$ (959,661)
Foreign	309,712	880,393
	\$ (154,234)	\$ (79,268)
Current income taxes		
Canada	\$ 3,454	\$ 14,617
Foreign	40,847	56,141
	\$ 44,301	\$ 70,758
Deferred income taxes (recovery)		
Canada	\$ (120,519)	\$ (291,363)
Foreign	(18,137)	77,975
	\$ (138,656)	\$ (213,388)
Income tax recovery	\$ (94,355)	\$ (142,630)

F. Reassessments

Canada

In 2008, as part of the ongoing annual audits of Cameco's Canadian tax returns, Canada Revenue Agency (CRA) disputed the transfer pricing structure and methodology used by Cameco and its wholly owned Swiss subsidiary, Cameco Europe Ltd., in respect of sale and purchase agreements for uranium products. From December 2008 to date, CRA issued notices of reassessment for the taxation years 2003 through 2011, which in aggregate have increased Cameco's income for Canadian tax purposes by approximately \$4,100,000,000. CRA has also issued notices of reassessment for transfer pricing penalties for the years 2007 through 2010 in the amount of \$292,400,000. Cameco believes it is likely that CRA will reassess Cameco's tax returns for subsequent years on a similar basis and that these will require Cameco to make future remittances or provide security on receipt of the reassessments.

Using the methodology we believe that CRA will continue to apply and including the \$4,100,000,000 already reassessed, we expect to receive notices of reassessment for a total of approximately \$8,100,000,000 for the years 2003 through 2016, which would increase Cameco's income for Canadian tax purposes and result in a related tax expense of approximately \$2,400,000,000. In addition to penalties already imposed, CRA may continue to apply penalties to taxation years subsequent to 2010. As a result, we estimate that cash taxes and transfer pricing penalties would be between \$1,750,000,000 and \$1,950,000,000. In addition, we estimate there would be interest and instalment penalties applied that would be material to Cameco. While in dispute, we would be responsible for remitting or otherwise securing 50% of the cash taxes and transfer pricing penalties (between \$875,000,000 and \$975,000,000), plus related interest and instalment penalties assessed, which would be material to Cameco.

Under Canadian federal and provincial tax rules, the amount required to be remitted each year will depend on the amount of income reassessed in that year and the availability of elective deductions. Recently, the CRA disallowed the use of any loss carry-backs to be applied to any transfer pricing adjustment, starting with the 2008 tax year. In light of our view of the likely outcome of the case, we expect to recover the amounts remitted to CRA, including cash taxes, interest and penalties totalling \$264,042,000 already paid as at December 31, 2016 (December 31, 2015 - \$232,614,000) (note 10). In addition to the cash remitted, we have provided \$420,000,000 in letters of credit to secure 50% of the cash taxes and related interest.

The trial related to the 2003, 2005 and 2006 reassessments commenced in October, 2016. Final arguments are expected in the second half of 2017. If this timing is adhered to, we expect to have a Tax Court decision within six to 18 months after the trial is complete.

Having regard to advice from its external advisors, Cameco's opinion is that CRA's position is incorrect and Cameco is contesting CRA's position and expects to recover any amounts remitted or secured as a result of the reassessments. However, to reflect the uncertainties of CRA's appeals process and litigation, Cameco has recorded a cumulative tax provision related to this matter for the years 2003 through the current period in the amount of \$58,000,000. While the resolution of this matter may result in liabilities that are higher or lower than the reserve, management believes that the ultimate resolution will not be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution. Resolution of this matter as stipulated by CRA would be material to Cameco's financial position, results of operations or liquidity in the year(s) of resolution and other unfavourable outcomes for the years 2003 to date could be material to Cameco's financial position, results of operations and cash flows in the year(s) of resolution.

Further to Cameco's decision to contest CRA's reassessments, Cameco is pursuing its appeal rights under Canadian federal and provincial tax rules.

United States

We have received Revenue Agent's Reports (RARs) from the Internal Revenue Service (IRS) for the taxation years 2009 to 2012, challenging the transfer pricing used under certain intercompany transactions. The RARs list the IRS' proposed adjustments to taxable income and calculate the tax and penalties owing based on the proposed adjustments.

The proposed adjustments reflected in the RARs are focused on transfer pricing in respect of certain intercompany transactions within our corporate structure. The IRS asserts that a portion of the non-US income reported under our corporate structure and taxed outside the US should be recognized and taxed in the US.

The proposed adjustments result in an increase in taxable income in the US of approximately \$419,000,000 (US) and a corresponding increased income tax expense of approximately \$122,000,000 (US) for the 2009 through 2012 taxation years, with interest being charged thereon. In addition, the IRS proposed cumulative penalties of approximately \$8,000,000 (US) in respect of the adjustment. Having regard to advice from its external advisors, management believes that the conclusions of the IRS in the RARs are incorrect and is contesting them in an administrative appeal of the proposed adjustments. No cash payments are required while pursuing an administrative appeal. Management believes that the ultimate resolution of this matter will not be material to our financial position, results of operations or liquidity in the year(s) of resolution.

G. Income tax losses

At December 31, 2016, income tax losses carried forward of \$2,432,772,000 (2015 - \$2,177,332,000) are available to reduce taxable income. These losses expire as follows:

Date of expiry	Canada	US	Other	Total
2020	\$ -	\$ -	\$ 1,194	\$ 1,194
2023	-	-	9,236	9,236
2028	95,102	-	-	95,102
2029	-	27,591	-	27,591
2030	-	1,612	-	1,612
2031	101,572	23,532	-	125,104
2032	236,107	23,224	-	259,331
2033	282,856	39,590	-	322,446
2034	300,317	21,839	-	322,156
2035	332,826	15,196	-	348,022
2036	131,891	74,371	-	206,262
No expiry	-	-	714,716	714,716
	\$ 1,480,671	\$ 226,955	\$ 725,146	\$ 2,432,772

Included in the table above is \$912,916,000 (2015 - \$615,412,000) of temporary differences related to loss carry forwards where no future benefit has been recognized.

21. Per share amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the period. The weighted average number of paid shares outstanding in 2016 was 395,792,522 (2015 - 395,792,522).

	2016	2015
Basic earnings (loss) per share computation		
Net earnings (loss) attributable to equity holders	\$ (61,611)	\$ 65,286
Weighted average common shares outstanding	395,793	395,793
Basic earnings (loss) per common share	\$ (0.16)	\$ 0.16
Diluted earnings (loss) per share computation		
Net earnings (loss) attributable to equity holders	\$ (61,611)	\$ 65,286
Weighted average common shares outstanding	395,793	395,793
Dilutive effect of stock options	-	-
Weighted average common shares outstanding, assuming dilution	395,793	395,793
Diluted earnings (loss) per common share	\$ (0.16)	\$ 0.16

22. Statements of cash flows

	2016	2015
Changes in non-cash working capital:		
Accounts receivable	\$ 1,529	\$ 216,266
Inventories	(73,833)	(238,549)
Supplies and prepaid expenses	10,867	(46,620)
Accounts payable and accrued liabilities	(17,989)	(12,225)
Reclamation payments	(13,507)	(11,807)
Amortization of purchase price allocation	27,848	16,005
Other	(4,049)	5,312
Other operating items	\$ (69,134)	\$ (71,618)

23. Share-based compensation plans

The Company has the following equity-settled plans:

A. Stock option plan

The Company has established a stock option plan under which options to purchase common shares may be granted to employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange (TSX) for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options carry vesting periods of one to three years, and expire eight years from the date granted.

The aggregate number of common shares that may be issued pursuant to the Cameco stock option plan shall not exceed 43,017,198 of which 27,870,079 shares have been issued.

Stock option transactions for the respective years were as follows:

(Number of options)	2016	2015
Beginning of year	8,503,238	8,353,006
Options granted	1,273,340	965,823
Options forfeited	(1,156,737)	(297,461)
Options expired	(599,530)	(518,130)
End of year	8,020,311	8,503,238
Exercisable	5,929,550	6,475,811

Weighted average exercise prices were as follows:

	2016	2015
Beginning of year	\$26.04	\$28.22
Options granted	16.38	19.30
Options forfeited	25.70	29.60
Options expired	38.81	46.48
End of year	\$23.61	\$26.04
Exercisable	\$25.46	\$27.34

Total options outstanding and exercisable at December 31, 2016 were as follows:

Option price per share	Number	Options outstanding		Options exercisable	
		Weighted average remaining life	Weighted average exercisable price	Number	Weighted average exercisable price
\$16.38 - 21.57	4,216,686	4.7	\$19.11	2,356,058	\$20.53
\$21.58 - 54.38	3,803,625	3.2	\$28.59	3,573,492	\$28.71
	8,020,311			5,929,550	

The foregoing options have expiry dates ranging from March 15, 2017 to February 29, 2024.

Non-vested stock option transactions for the respective years were as follows:

(Number of options)	2016	2015
Beginning of year	2,027,427	2,533,754
Options granted	1,273,340	965,823
Options forfeited	(143,719)	(17,320)
Options vested	(1,066,287)	(1,454,830)
End of year	2,090,761	2,027,427

B. Executive performance share unit (PSU)

The Company has established a PSU plan whereby it provides each plan participant an annual grant of PSUs in an amount determined by the board. Each PSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the board's discretion, at the end of each three-year period if certain performance and vesting criteria have been met. The final value of the PSUs will be based on the value of Cameco common shares at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on total shareholder return over the three years, Cameco's ability to meet its annual operating targets and whether the participating executive remains employed by Cameco at the end of the three-year vesting period. As of December 31, 2016, the total number of PSUs held by the participants, after adjusting for forfeitures on retirement, was 892,895 (2015 - 791,071).

C. Restricted share unit (RSU)

The Company has established an RSU plan whereby it provides each plan participant an annual grant of RSUs in an amount determined by the board. Each RSU represents one phantom common share that entitles the participant to a payment of one Cameco common share purchased on the open market, or cash with an equivalent market value, at the board's discretion. The RSUs carry vesting periods of one to three years, and the final value of the units will be based on the value of Cameco common shares at the end of the vesting periods. As of December 31, 2016, the total number of RSUs held by the participants was 557,957 (2015 - 479,320).

D. Employee share ownership plan

Cameco also has an employee share ownership plan, whereby both employee and Company contributions are used to purchase shares on the open market for employees. The Company's contributions are expensed during the year of contribution. Under the plan, employees have the opportunity to participate in the program to a maximum of 6% of eligible earnings each year with Cameco matching the first 3% of employee-paid shares by 50%. Cameco contributes \$1,000 of shares annually to each employee that is enrolled in the plan. Shares purchased with Company contributions and with dividends paid on such shares become unrestricted 12 months from the date on which such shares were purchased. At December 31, 2016, there were 3,356 participants in the plan (2015 - 3,659). The total number of shares purchased in 2016 with Company contributions was 404,550 (2015 - 309,251). In 2016, the Company's contributions totalled \$5,204,000 (2015 - \$5,295,000).

Cameco records compensation expense under its equity-settled plans with an offsetting credit to contributed surplus, to reflect the estimated fair value of units granted to employees. During the year, the Company recognized the following expenses under these plans:

	2016	2015
Stock option plan	\$ 4,588	\$ 5,610
Performance share unit plan	5,572	6,574
Restricted share unit plan	3,941	4,669
Employee share ownership plan	5,204	5,295
End of year	\$ 19,305	\$ 22,148

Fair value measurement of equity-settled plans

The fair value of the units granted through the PSU plan was determined based on Monte Carlo simulation and the fair value of options granted under the stock option plan was measured based on the Black-Scholes option-pricing model. The fair value of RSUs granted was determined based on their intrinsic value on the date of grant. Expected volatility was estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Stock option plan	PSU	RSU
Number of options granted	1,273,340	411,490	329,422
Average strike price	\$16.38	-	\$16.46
Expected dividend	\$0.40	-	-
Expected volatility	32%	31%	-
Risk-free interest rate	0.7%	0.5%	-
Expected life of option	4.7 years	3 years	-
Expected forfeitures	7%	5%	8%
Weighted average grant date fair values	\$3.49	\$16.35	\$16.46

In addition to these inputs, other features of the PSU grant were incorporated into the measurement of fair value. The market condition based on total shareholder return was incorporated by utilizing a Monte Carlo simulation. The non-market criteria relating to realized selling prices and operating targets have been incorporated into the valuation at grant date by reviewing prior history and corporate budgets.

The Company has the following cash-settled plans:

A. Deferred share unit (DSU)

Cameco offers a DSU plan to non-employee directors. A DSU is a notional unit that reflects the market value of a single common share of Cameco. 60% of each director's annual retainer is paid in DSUs. In addition, on an annual basis, directors can elect to receive 25%, 50%, 75% or 100% of the remaining 40% of their annual retainer and any additional fees in the form of DSUs. If a director meets their ownership requirements, the director may elect to take 25%, 50%, 75% or 100% of their annual retainer and any fees in cash, with the balance, if any, to be paid in DSUs. Each DSU fully vests upon award. The DSUs will be redeemed for cash upon a director leaving the board. The redemption amount will be based upon the weighted average of the closing prices of the common shares of Cameco on the TSX for the last 20 trading days prior to the redemption date multiplied by the number of DSUs held by the director. As of December 31, 2016, the total number of DSUs held by participating directors was 514,352 (2015 - 623,534).

B. Phantom stock option

Cameco makes annual grants of bonuses to eligible non-North American employees in the form of phantom stock options. Employees receive the equivalent value of shares in cash when exercised. Options granted under the phantom stock option plan have an award value equal to the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options vest over three years and expire eight years from the date granted. As of December 31, 2016, the number of options held by participating employees was 347,858 (2015 - 290,833) with exercise prices ranging from \$16.38 to \$39.53 per share (2015 - \$19.30 to \$39.53) and a weighted average exercise price of \$24.13 (2015 - \$26.05).

Cameco has recognized the following expenses (recoveries) under its cash-settled plans:

	2016	2015
Deferred share unit plan	\$ (739)	\$ (1,088)
Phantom stock option plan	(83)	77
	\$ (822)	\$ (1,011)

At December 31, 2016, a liability of \$7,558,000 (2015 - \$11,063,000) was included in the consolidated statements of financial position to recognize accrued but unpaid expenses for cash-settled plans.

Fair value measurement of cash-settled plans

The fair value of the phantom stock option plan was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the phantom stock option plan at the grant and reporting dates were as follows:

	Grant date March 1, 2016	Reporting date December 31, 2016
Number of units	93,655	347,858
Average strike price	\$16.38	\$24.13
Expected dividend	\$0.40	\$0.40
Expected volatility	32%	33%
Risk-free interest rate	0.6%	0.9%
Expected life of option	4.5 years	3.4 years
Expected forfeitures	7%	7%
Weighted average measurement date fair values	\$3.61	\$1.06

24. Pension and other post-retirement benefits

Cameco maintains both defined benefit and defined contribution plans providing pension benefits to substantially all of its employees. All regular and temporary employees participate in a registered defined contribution plan. This plan is registered under the Pension Benefits Standard Act, 1985. In addition, all Canadian-based executives participate in a non-registered supplemental executive pension plan which is a defined benefit plan.

Under the supplemental executive pension plan (SEPP), Cameco provides a lump sum benefit equal to the present value of a lifetime pension benefit based on the executive's length of service and final average earnings. The plan provides for unreduced benefits to be paid at the normal retirement age of 65, however unreduced benefits could be paid if the executive was at least 60 years of age and had 20 years of service at retirement. This program provides for a benefit determined by a formula based on earnings and service, reduced by the benefits payable under the registered base plan. Security is provided for the SEPP benefits through a letter of credit held by the plan's trustee. The face amount of the letter of credit is determined each year based on the wind-up liabilities of the supplemental plan, less any plan assets currently held with the trustee. A valuation is required annually to determine the letter of credit amount. Benefits will continue to be paid from plan assets until the fund is exhausted, at which time Cameco will begin paying benefits from corporate assets.

Cameco also maintains non-pension post-retirement plans ("other benefit plans") which are defined benefit plans that cover such benefits as group life insurance and supplemental health and dental coverage to eligible employees and their dependents. The costs related to these plans are charged to earnings in the period during which the employment services are rendered. These plans are funded by Cameco as benefit claims are made.

The board of directors of Cameco has final responsibility and accountability for the Cameco retirement programs. The board is ultimately responsible for managing the programs to comply with applicable legislation, providing oversight over the general functions and setting certain policies.

Cameco expects to pay \$1,671,000 in contributions and letter of credit fees to its defined benefit plans in 2017.

The post-retirement plans expose Cameco to actuarial risks, such as longevity risk, market risk, interest rate risk, liquidity risk and foreign currency risk. The other benefit plans expose Cameco to risks of higher supplemental health and dental utilization than expected. However, the other benefit plans have limits on Cameco's annual benefits payable.

The effective date of the most recent valuations for funding purposes on the registered defined benefit pension plans is January 1, 2015. The next planned effective date for valuations is January 1, 2018.

Cameco has more than one defined benefit plan and has generally provided aggregated disclosures in respect of these plans, on the basis that these plans are not exposed to materially different risks. Information relating to Cameco's defined benefit plans is shown in the following table:

	Pension benefit plans		Other benefit plans	
	2016	2015	2016	2015
Fair value of plan assets, beginning of year	\$ 10,632	\$ 10,877	\$ -	\$ -
Interest income on plan assets	403	406	-	-
Return on assets excluding interest income	(127)	1,960	-	-
Benefits paid	(2,254)	(2,581)	-	-
Administrative costs paid	(2)	(30)	-	-
Fair value of plan assets, end of year	\$ 8,652	\$ 10,632	\$ -	\$ -
Defined benefit obligation, beginning of year	\$ 52,996	\$ 52,440	\$ 21,771	\$ 20,107
Current service cost	1,634	1,744	1,153	1,195
Interest cost	1,842	1,627	900	813
Actuarial loss (gain) arising from:				
- demographic assumptions	-	-	-	38
- financial assumptions	677	(1,007)	373	(1,228)
- experience adjustment	1,605	(195)	161	1,671
Benefits paid	(2,970)	(3,175)	(937)	(825)
Foreign exchange	(854)	1,562	-	-
Defined benefit obligation, end of year	\$ 54,930	\$ 52,996	\$ 23,421	\$ 21,771
Defined benefit liability [note 14]	\$ (46,278)	\$ (42,364)	\$ (23,421)	\$ (21,771)

The percentages of the total fair value of assets in the pension plans for each asset category at December 31 were as follows:

Asset category ^(a)	Pension benefit plans	
	2016	2015
Canadian equity securities	8%	8%
Global equity securities	15%	16%
Canadian fixed income	26%	25%
Other ^(b)	51%	51%
Total	100%	100%

(a) The defined benefit plan assets contain no material amounts of related party assets at December 31, 2016 and 2015 respectively.

(b) Relates to the value of the refundable tax account held by the Canada Revenue Agency. The refundable total is approximately equal to half of the sum of the realized investment income plus employer contributions less half of the benefits paid by the plan.

The following represents the components of net pension and other benefit expense included primarily as part of administration:

	Pension benefit plans		Other benefit plans	
	2016	2015	2016	2015
Current service cost	\$ 1,634	\$ 1,744	\$ 1,153	\$ 1,195
Net interest cost	1,439	1,221	900	813
Administration cost	2	30	-	-
Defined benefit expense [note 17]	3,075	2,995	2,053	2,008
Defined contribution pension expense [note 17]	17,716	17,961	-	-
Net pension and other benefit expense	\$ 20,791	\$ 20,956	\$ 2,053	\$ 2,008

The total amount of actuarial losses (gains) recognized in other comprehensive income is:

	Pension benefit plans		Other benefit plans	
	2016	2015	2016	2015
Actuarial loss (gain)	\$ 2,282	\$ (1,202)	\$ 534	\$ 481
Return on plan assets excluding interest income	127	(1,960)	-	-
	\$ 2,409	\$ (3,162)	\$ 534	\$ 481

The assumptions used to determine the Company's defined benefit obligation and net pension and other benefit expense were as follows at December 31 (expressed as weighted averages):

	Pension benefit plans		Other benefit plans	
	2016	2015	2016	2015
Discount rate - obligation	3.9%	3.9%	3.9%	4.0%
Discount rate - expense	3.9%	3.4%	4.0%	3.9%
Rate of compensation increase	3.0%	3.0%	-	-
Initial health care cost trend rate	-	-	7.0%	7.0%
Cost trend rate declines to	-	-	5.0%	5.0%
Year the rate reaches its final level	-	-	2021	2021
Dental care cost trend rate	-	-	5.0%	5.0%

At December 31, 2016, the weighted average duration of the defined benefit obligation for the pension plans was 19.6 years (2015 - 19.6 years) and for the other benefit plans was 15.2 years (2015 - 15.0 years).

A 1% change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the following:

	Pension benefit plans		Other benefit plans	
	Increase	Decrease	Increase	Decrease
Discount rate	\$ (6,748)	\$ 8,782	\$ (3,213)	\$ 4,080
Rate of compensation increase	2,624	(2,379)	n/a	n/a

A 1% change in any of the other assumptions would not have a significant impact on the defined benefit obligation.

The methods and assumptions used in preparing the sensitivity analyses are the same as the methods and assumptions used in determining the financial position of Cameco's plans as at December 31, 2016. The sensitivity analyses are determined by varying the sensitivity assumption and leaving all other assumptions unchanged. Therefore, the sensitivity analyses do not recognize any interdependence in the assumptions. The methods and assumptions used in determining the above sensitivity are consistent with the methods and assumptions used in the previous year.

In addition, an increase of one year in the expected lifetime of plan participants in the pension benefit plans would increase the defined benefit obligation by \$1,294,000.

To measure the longevity risk for these plans, the mortality rates were reduced such that the average life expectancy for all members increased by one year. The reduced mortality rates were subsequently used to re-measure the defined benefit obligation of the entire plan.

25. Financial instruments and related risk management

Cameco is exposed in varying degrees to a variety of risks from its use of financial instruments. Management and the board of directors, both separately and together, discuss the principal risks of our businesses. The board sets policies for the implementation of systems to manage, monitor and mitigate identifiable risks. Cameco's risk management objective in relation to these instruments is to protect and minimize volatility in cash flow. The types of risks Cameco is exposed to, the source of risk exposure and how each is managed is outlined below.

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign currency exchange rates and interest rates, will affect the Company's earnings or the fair value of its financial instruments. Cameco engages in various business activities which expose the Company to market risk. As part of its overall risk management strategy, Cameco uses derivatives to manage some of its exposures to market risk that result from these activities.

Derivative instruments may include financial and physical forward contracts. Such contracts may be used to establish a fixed price for a commodity, an interest-bearing obligation or a cash flow denominated in a foreign currency. Market risks are monitored regularly against defined risk limits and tolerances.

Cameco's actual exposure to these market risks is constantly changing as the Company's portfolios of foreign currency, interest rate and commodity contracts change.

The types of market risk exposure and the way in which such exposure is managed are as follows:

A. Commodity price risk

As a significant producer and supplier of uranium and nuclear fuel processing services, Cameco bears significant exposure to changes in prices for these products. A substantial change in prices will affect the Company's net earnings and operating cash flows. Prices for Cameco's products are volatile and are influenced by numerous factors beyond the Company's control, such as supply and demand fundamentals and geopolitical events.

Cameco's sales contracting strategy focuses on reducing the volatility in future earnings and cash flow, while providing both protection against decreases in market price and retention of exposure to future market price increases. To mitigate the risks associated with the fluctuations in the market price for uranium products, Cameco seeks to maintain a portfolio of uranium product sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from pricing volatility.

Cameco is exposed to commodity price risk through its use of a uranium contract derivative. As of the reporting date, a 30% decrease in the price of uranium based on the Numerco forward uranium price curve, would result in a loss on this derivative of \$9,907,000 (\$7,379,000 (US)). A 30% increase would have an equal but opposite impact.

B. Foreign exchange risk

The relationship between the Canadian and US dollar affects financial results of the uranium business as well as the fuel services business. Sales of uranium product, conversion and fuel manufacturing services are routinely denominated in US dollars while production costs are largely denominated in Canadian dollars.

Cameco attempts to provide some protection against exchange rate fluctuations by planned hedging activity designed to smooth volatility. To mitigate risks associated with foreign currency, Cameco enters into forward sales and option contracts to establish a price for future delivery of the foreign currency. These foreign currency contracts are not designated as hedges and are recorded at fair value with changes in fair value recognized in earnings. Cameco also has a natural hedge against US currency fluctuations because a portion of its annual cash outlays, including purchases of uranium and conversion services, is denominated in US dollars.

Cameco holds a number of financial instruments denominated in foreign currencies that expose the Company to foreign exchange risk. Cameco measures its exposure to foreign exchange risk on financial instruments as the change in carrying values that would occur as a result of reasonably possible changes in foreign exchange rates, holding all other variables constant. As of the reporting date, the Company has determined its pre-tax exposure to foreign currency exchange risk on financial instruments to be as follows based on a 5% weakening of the Canadian dollar:

	Currency	Carrying value (Cdn)	Gain (loss)
Cash and cash equivalents	USD	\$ 41,733	\$ 2,087
Accounts receivable	USD	222,627	11,131
Long-term receivables, investments and other	USD	95,061	4,753
Accounts payable and accrued liabilities	USD	(137,324)	(6,866)
Net foreign currency derivatives	USD	(25,166)	(57,266)

A 5% strengthening of the Canadian dollar against the currencies above at December 31, 2016 would have had an equal but opposite effect on the amounts shown above, assuming all other variables remained constant.

C. Interest rate risk

The Company has a strategy of minimizing its exposure to interest rate risk by maintaining target levels of fixed and variable rate borrowings. The proportions of outstanding debt carrying fixed and variable interest rates are reviewed by senior management to ensure that these levels are within approved policy limits. At December 31, 2016, the proportion of Cameco's outstanding debt that carries fixed interest rates is 80% (2015 - 80%).

Cameco is exposed to interest rate risk through its interest rate swap contracts whereby fixed rate payments on a notional amount of \$300,000,000 of the Series D senior unsecured debentures were swapped for variable rate payments. The swaps terminate on September 2, 2019. Under the terms of the swaps, Cameco makes interest payments based on the three-month Canada Dealer Offered Rate plus an average margin of 3.7% and receives fixed interest payments of 5.67%. At December 31, 2016, the fair value of Cameco's interest rate swap assets was \$6,547,000 (2015 - \$10,783,000).

Cameco is also exposed to interest rate risk on its loan facility with Inkai and on NUKEM's multicurrency revolving loan facility due to the variable nature of the interest rates contained in the terms therein.

Cameco measures its exposure to interest rate risk as the change in cash flows that would occur as a result of reasonably possible changes in interest rates, holding all other variables constant. As of the reporting date, the Company has determined the impact on earnings of a 1% increase in interest rate on variable rate financial instruments to be as follows:

	Gain (loss)
Interest rate contracts	\$ (3,021)
Advances receivable from Inkai	892

No amounts were drawn against NUKEM's revolving loan facility as of December 31, 2016.

Counterparty credit risk

Counterparty credit risk is associated with the ability of counterparties to satisfy their contractual obligations to Cameco, including both payment and performance. Cameco's sales of uranium product, conversion and fuel manufacturing services expose the Company to the risk of non-payment.

Cameco manages the risk of non-payment 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. To mitigate risks associated with certain financial assets, Cameco will hold positions with a variety of large creditworthy institutions.

The maximum exposure to credit risk, as represented by the carrying amount of the financial assets, at December 31 was:

	2016	2015
Cash and cash equivalents	\$ 320,278	\$ 458,604
Accounts receivable [note 6]	238,514	240,626
Advances receivable from Inkai [note 30]	90,095	87,188
Derivative assets [note 10]	10,612	11,143
Other	4,966	3,446

At December 31, 2016, there were no significant concentrations of credit risk and no amounts were held as collateral.

Historically, Cameco has experienced minimal customer defaults and, as a result, considers the credit quality of its accounts receivable to be high. All accounts receivable at the reporting date are neither past due nor impaired.

Cameco has established programs for sales without recourse of trade accounts receivable to financial institutions. Through these programs, the Company surrenders the control, risks and benefits associated with the accounts receivable sold. The amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the consolidated statement of financial position at the time of sale. The total amount of receivables sold under these programs and derecognized in accordance with IAS 39 during 2016 was \$214,428,000 (\$159,551,000 (USD)) (2015 - \$201,992,000 (\$152,410,000 (USD))).

Liquidity risk

Financial liquidity represents Cameco's ability to fund future operating activities and investments. Cameco ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term and long-term cash requirements.

The table below outlines the Company's available debt facilities at December 31, 2016:

	Total amount	Outstanding and committed	Amount available
Unsecured revolving credit facility	\$ 1,250,000	\$ -	\$ 1,250,000
Letter of credit facilities	1,658,727	1,470,435	188,292
NUKEM multicurrency revolving loan facility	106,268	143	106,125

The tables below present a maturity analysis of Cameco's financial liabilities, including principal and interest, based on the expected cash flows from the reporting date to the contractual maturity date:

	Carrying amount	Contractual cash flows	Due in less than 1 year	Due in 1-3 years	Due in 3-5 years	Due after 5 years
Accounts payable and accrued liabilities	\$ 312,900	\$ 312,900	\$ 312,900	\$ -	\$ -	\$ -
Dividends payable	39,579	39,579	39,579	-	-	-
Long-term debt	1,493,327	1,500,000	-	500,000	-	1,000,000
Foreign currency contracts	29,231	29,231	15,548	13,683	-	-
Other derivative liabilities	29,654	29,654	9,418	20,236	-	-
Total contractual repayments	\$ 1,904,691	\$ 1,911,364	\$ 377,445	\$ 533,919	\$ -	\$ 1,000,000

	Total	Due in less than 1 year	Due in 1-3 years	Due in 3-5 years	Due after 5 years
Total interest payments on long-term debt	\$ 474,990	\$ 69,390	\$ 138,780	\$ 82,080	\$ 184,740

Measurement of fair values

A. Accounting classifications and fair values

The following tables summarize the carrying amounts and accounting classifications of Cameco's financial instruments at the reporting date:

At December 31, 2016

	Fair value through profit or loss	Loans and receivables	Available for sale	Other financial liabilities	Total
Financial assets					
Cash and cash equivalents	\$ -	\$ 320,278	\$ -	\$ -	\$ 320,278
Accounts receivable [note 6]	-	242,482	-	-	242,482
Derivative assets [note 10]					
Foreign currency contracts	4,065	-	-	-	4,065
Interest rate contracts	6,547	-	-	-	6,547
Investments in equity securities [note 10]	-	-	14,807	-	14,807
Advances receivable from Inkai [note 30]	-	90,095	-	-	90,095
Other	-	4,966	-	-	4,966
	\$ 10,612	\$ 657,821	\$ 14,807	\$ -	\$ 683,240
Financial liabilities					
Accounts payable and accrued liabilities [note 11]	\$ -	\$ -	\$ -	\$ 312,900	\$ 312,900
Dividends payable	-	-	-	39,579	39,579
Derivative liabilities [note 14]					
Foreign currency contracts	29,231	-	-	-	29,231
Uranium contracts	29,654	-	-	-	29,654
Long-term debt [note 13]	-	-	-	1,493,327	1,493,327
	58,885	-	-	1,845,806	1,904,691
Net	\$ (48,273)	\$ 657,821	\$ 14,807	\$ (1,845,806)	\$ (1,221,451)

At December 31, 2015

	Fair value through profit or loss	Loans and receivables	Available for sale	Other financial liabilities	Total
Financial assets					
Cash and cash equivalents	\$ -	\$ 458,604	\$ -	\$ -	\$ 458,604
Accounts receivable [note 6]	-	246,865	-	-	246,865
Derivative assets [note 10]					
Foreign currency contracts	360	-	-	-	360
Interest rate contracts	10,783	-	-	-	10,783
Investments in equity securities [note 10]	-	-	938	-	938
Advances receivable from Inkai [note 30]	-	87,188	-	-	87,188
Other	-	3,446	-	-	3,446
	\$ 11,143	\$ 796,103	\$ 938	\$ -	\$ 808,184
Financial liabilities					
Accounts payable and accrued liabilities [note 11]	\$ -	\$ -	\$ -	\$ 317,856	\$ 317,856
Dividends payable	-	-	-	39,579	39,579
Derivative liabilities [note 14]					
Foreign currency contracts	167,420	-	-	-	167,420
Other	816	-	-	-	816
Long-term debt [note 13]	-	-	-	1,492,237	1,492,237
	168,236	-	-	1,849,672	2,017,908
Net	\$ (157,093)	\$ 796,103	\$ 938	\$ (1,849,672)	\$ (1,209,724)

Cameco does not have any financial instruments classified as held-for-trading, or held-to-maturity as of the reporting date.

The following tables summarize the carrying amounts and fair values of Cameco's financial instruments, including their levels in the fair value hierarchy:

As at December 31, 2016

	Carrying value	Fair value		
		Level 1	Level 2	Total
Derivative assets [note 10]				
Foreign currency contracts	\$ 4,065	\$ -	\$ 4,065	\$ 4,065
Interest rate contracts	6,547	-	6,547	6,547
Investments in equity securities [note 10]	14,807	14,807	-	14,807
Derivative liabilities [note 14]				
Foreign currency contracts	(29,231)	-	(29,231)	(29,231)
Uranium contracts	(29,654)	-	(29,654)	(29,654)
Long-term debt [note 13]	(1,493,327)	-	(1,721,805)	(1,721,805)
Net	\$ (1,526,793)	\$ 14,807	\$ (1,770,078)	\$ (1,755,271)

As at December 31, 2015

	Carrying value	Fair value		
		Level 1	Level 2	Total
Derivative assets [note 10]				
Foreign currency contracts	\$ 360	\$ -	\$ 360	\$ 360
Interest rate contracts	10,783	-	10,783	10,783
Investments in equity securities [note 10]	938	938	-	938
Derivative liabilities [note 14]				
Foreign currency contracts	(167,420)	-	(167,420)	(167,420)
Share purchase options	(816)	-	(816)	(816)
Long-term debt [note 13]	(1,492,237)	-	(1,786,567)	(1,786,567)
Net	\$ (1,648,392)	\$ 938	\$ (1,943,660)	\$ (1,942,722)

The preceding tables exclude fair value information for financial instruments whose carrying amounts are a reasonable approximation of fair value. The carrying value of Cameco's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates its fair value as a result of the short-term nature of the instruments.

There were no transfers between level 1 and level 2 during the period. Cameco does not have any financial instruments that are classified as level 3 as of the reporting date.

B. Financial instruments measured at fair value

Cameco measures its derivative financial instruments, material investments in equity securities and long-term debt at fair value. Investments in publicly held equity securities are classified as a recurring level 1 fair value measurement while derivative financial instruments and long-term debt are classified as a recurring level 2 fair value measurement.

The fair value of investments in equity securities is determined using quoted share prices observed in the principal market for the securities as of the reporting date. The fair value of Cameco's long-term debt is determined using quoted market yields as of the reporting date, which ranged from 0.8% to 2.3% (2015 - 0.6% to 2.2%).

Foreign currency derivatives consist of foreign currency forward contracts, options and swaps. The fair value of foreign currency options is measured based on the Black Scholes option-pricing model. The fair value of foreign currency forward contracts and swaps is measured using a market approach, based on the difference between contracted foreign exchange rates and quoted forward exchange rates as of the reporting date.

Interest rate derivatives consist of interest rate swap contracts. The fair value of interest rate swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed interest payments to be received and floating interest payments to be made to the counterparty based on Canada Dealer Offer Rate forward interest rate curves.

Uranium contract derivatives consist of written options and price swaps. The fair value of uranium options is measured based on the Black Scholes option-pricing model. The fair value of uranium price swaps is determined by discounting expected future cash flows from the contracts. The future cash flows are determined by measuring the difference between fixed purchases or sales under contracted prices, and floating purchases or sales based on Numerco forward uranium price curves.

Where applicable, the fair value of the derivatives reflects the credit risk of the instrument and includes adjustments to take into account the credit risk of the Company and counterparty. These adjustments are based on credit ratings and yield curves observed in active markets at the reporting date.

Derivatives

The following table summarizes the fair value of derivatives and classification on the consolidated statements of financial position:

	2016	2015
Non-hedge derivatives:		
Foreign currency contracts	\$ (25,166)	\$ (167,060)
Interest rate contracts	6,547	10,783
Contract derivatives	(29,654)	(816)
Net	\$ (48,273)	\$ (157,093)
Classification:		
Current portion of long-term receivables, investments and other [note 10]	\$ 4,119	\$ 3,823
Long-term receivables, investments and other [note 10]	6,493	7,320
Current portion of other liabilities [note 14]	(24,966)	(168,236)
Other liabilities [note 14]	(33,919)	-
Net	\$ (48,273)	\$ (157,093)

The following table summarizes the different components of the gains (losses) on derivatives included in net earnings:

	2016	2015
Non-hedge derivatives:		
Foreign currency contracts	\$ 59,398	\$ (292,039)
Interest rate contracts	(1,016)	10,708
Uranium contracts	(23,975)	721
Net	\$ 34,407	\$ (280,610)

26. Capital management

Cameco's capital structure reflects our vision and the environment in which we operate. We seek growth through development and expansion of existing assets by acquisition. Our capital resources are managed to support achievement of our goals. The overall objectives for managing capital in 2016 remained unchanged from the prior comparative period.

Cameco's management considers its capital structure to consist of bank overdrafts, long-term debt, short-term debt (net of cash and cash equivalents and short-term investments), non-controlling interest and shareholders' equity.

The capital structure at December 31 was as follows:

	2016	2015
Long-term debt [note 13]	\$ 1,493,327	\$ 1,492,237
Cash and cash equivalents	(320,278)	(458,604)
Net debt	1,173,049	1,033,633
Non-controlling interest	157	(1,741)
Shareholders' equity	5,258,371	5,547,020
Total equity	5,258,528	5,545,279
Total capital	\$ 6,431,577	\$ 6,578,912

Cameco is bound by certain covenants in its general credit facilities. These covenants place restrictions on total debt, including guarantees and set minimum levels for net worth. As of December 31, 2016, Cameco met these requirements.

The terms of NUKEM's revolving loan facility contain a financial covenant that places restrictions on total debt and working capital balances. The facility also requires Cameco, as guarantor, to maintain a minimum credit rating. As of December 31, 2016 the Company is in compliance with all requirements under this facility.

27. Segmented information

Cameco has three reportable segments: uranium, fuel services and NUKEM. The uranium segment involves the exploration for, mining, milling, purchase and sale of uranium concentrate. The fuel services segment involves the refining, conversion and fabrication of uranium concentrate and the purchase and sale of conversion services. The NUKEM segment acts as a market intermediary between uranium producers and nuclear-electric utilities.

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

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies. Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis, are eliminated on consolidation and are reflected in the "other" column.

A. Business segments - 2016

For the year ended December 31, 2016

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$ 1,717,896	\$ 321,374	\$ 391,402	\$ 732	\$ 2,431,404
Expenses					
Cost of products and services sold	993,012	223,991	380,695	(1,463)	1,596,235
Depreciation and amortization	281,159	33,951	38,273	18,306	371,689
Cost of sales	1,274,171	257,942	418,968	16,843	1,967,924
Gross profit (loss)	443,725	63,432	(27,566)	(16,111)	463,480
Administration	-	-	20,088	186,564	206,652
Impairment charges	361,989	-	-	-	361,989
Exploration	42,579	-	-	-	42,579
Research and development	-	-	-	4,952	4,952
Other operating income	(34,075)	-	-	-	(34,075)
Loss on disposal of assets	22,787	221	160	-	23,168
Finance costs	-	-	4,056	107,850	111,906
Gain on derivatives	-	-	(6,530)	(27,877)	(34,407)
Finance income	-	-	(396)	(3,983)	(4,379)
Other expense (income)	(56,219)	(10,372)	329	5,591	(60,671)
Earnings (loss) before income taxes	106,664	73,583	(45,273)	(289,208)	(154,234)
Income tax recovery					(94,355)
Net loss					(59,879)
Capital expenditures for the year	\$ 201,722	\$ 13,983	\$ 1,203	\$ -	\$ 216,908

For the year ended December 31, 2015

	Uranium	Fuel services	NUKEM	Other	Total
Revenue	\$ 1,866,198	\$ 318,999	\$ 553,665	\$ 15,516	\$ 2,754,378
Expenses					
Cost of products and services sold	989,239	226,854	516,880	11,842	1,744,815
Depreciation and amortization	269,084	30,670	(5,103)	17,867	312,518
Cost of sales	1,258,323	257,524	511,777	29,709	2,057,333
Gross profit (loss)	607,875	61,475	41,888	(14,193)	697,045
Administration	-	-	18,130	168,680	186,810
Impairment charges	215,488	-	-	-	215,488
Exploration	40,259	-	-	-	40,259
Research and development	-	-	-	6,587	6,587
Loss on disposal of assets	1,753	564	9	-	2,326
Finance costs	-	-	4,593	99,022	103,615
Loss (gain) on derivatives	-	-	(587)	281,197	280,610
Finance income	-	-	(3)	(5,414)	(5,417)
Share of loss from equity-accounted investees	758	-	-	-	758
Other expense (income)	4,600	-	1,899	(61,222)	(54,723)
Earnings (loss) before income taxes	345,017	60,911	17,847	(503,043)	(79,268)
Income tax recovery					(142,630)
Net earnings					63,362
Capital expenditures for the year	\$ 344,610	\$ 13,952	\$ -	\$ -	\$ 358,562

B. Geographic segments

Revenue is attributed to the geographic location based on the location of the entity providing the services. The Company's revenue from external customers is as follows:

	2016	2015
United States	\$ 1,902,679	\$ 2,135,977
Canada	347,536	341,568
Germany	181,189	276,833
	\$ 2,431,404	\$ 2,754,378

The Company's non-current assets, excluding deferred tax assets and financial instruments, by geographic location are as follows:

	2016	2015
Canada	\$ 3,665,558	\$ 3,867,740
Australia	420,448	684,261
United States	327,266	429,815
Kazakhstan	318,006	327,847
Germany	127,618	135,627
	\$ 4,858,896	\$ 5,445,290

C. Major customers

Cameco relies on a small number of customers to purchase a significant portion of its uranium concentrates and uranium conversion services. During 2016, revenues from one customer of Cameco's uranium, fuel services and NUKEM segments represented approximately \$223,268,000 (2015 - \$320,312,000), approximately 9% (2015 - 12%) of Cameco's total revenues from these segments. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedule.

28. Group entities

The following are the principal subsidiaries and associates of the Company:

	Principal place of business	Ownership interest 2016	2015
Subsidiaries:			
Cameco Fuel Manufacturing Inc.	Canada	100%	100%
Cameco Inc.	US	100%	100%
Power Resources, Inc.	US	100%	100%
Crow Butte Resources, Inc.	US	100%	100%
NUKEM Investments GmbH	Germany	100%	100%
Cameco Australia Pty. Ltd.	Australia	100%	100%
Cameco Europe Ltd.	Switzerland	100%	100%
Associate			
GE-Hitachi Global Laser Enrichment LLC	US	24.00%	24.00%

29. Joint operations

Cameco conducts a portion of its exploration, development, mining and milling activities through joint operations located around the world. Operations are governed by agreements that provide for joint control of the strategic operating, investing and financing activities among the partners. These agreements were considered in the determination of joint control.

Cameco's significant Canadian uranium joint operation interests are McArthur River, Key Lake and Cigar Lake. The Canadian uranium joint operations allocate uranium production to each joint operation participant and the joint operation participant derives revenue directly from the sale of such product. The participants in the Inkai joint operation purchase uranium from Inkai and, in turn, derive revenue directly from the sale of such product to third-party customers. Mining and milling expenses incurred by joint operations are included in the cost of inventory.

Cameco reflects its proportionate interest in these assets and liabilities as follows:

	Principal place of business	Ownership	2016	2015
Total assets				
McArthur River	Canada	69.81%	\$ 1,093,254	\$ 1,107,017
Key Lake	Canada	83.33%	571,183	629,075
Cigar Lake	Canada	50.03%	1,591,489	1,674,805
Inkai	Kazakhstan	60.00%	408,077	436,611
			\$ 3,664,003	\$ 3,847,508
Total liabilities				
McArthur River		69.81%	\$ 43,189	\$ 49,986
Key Lake		83.33%	150,847	174,654
Cigar Lake		50.03%	37,888	39,201
Inkai		60.00%	175,725	176,163
			\$ 407,649	\$ 440,004

Through unsecured shareholder loans, Cameco has agreed to fund the development of the Inkai project. Cameco eliminates the loan balances recorded by Inkai and records advances receivable (notes 10 and 30) representing its 40% share.

30. Related parties

The shares of Cameco are widely held and no shareholder, resident in Canada, is allowed to own more than 25% of the Company's outstanding common shares, either individually or together with associates. A non-resident of Canada is not allowed to own more than 15%.

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers, vice-presidents, other senior managers and members of the board of directors.

In addition to their salaries, Cameco also provides non-cash benefits to executive officers and vice-presidents and contributes to pension plans on their behalf (note 24). Senior management and directors also participate in the Company's share-based compensation plans (note 23).

Executive officers are subject to terms of notice ranging from three to six months. Upon resignation at the Company's request, they are entitled to termination benefits of up to the lesser of 18 to 24 months or the period remaining until age 65. The termination benefits include gross salary plus the target short-term incentive bonus for the year in which termination occurs.

Compensation for key management personnel was comprised of:

	2016	2015
Short-term employee benefits	\$ 17,673	\$ 20,271
Share-based compensation	10,464	12,749
Post-employment benefits	5,910	5,787
Termination benefits	608	-
\$ 34,655		\$ 38,807

(a) Excludes deferred share units held by directors (see note 23).

Other related party transactions

Through unsecured shareholder loans, Cameco has agreed to fund Inkai's project development costs as well as further evaluation on block 3. The limits of the loan facilities are \$175,000,000 (US) and advances under these facilities bear interest at a rate of LIBOR plus 2%. At December 31, 2016, \$167,750,000 (US) of principal and interest was outstanding (2015 - \$157,492,000 (US)).

Cameco's share of outstanding principal and interest was \$90,095,000 at December 31, 2016 (2015 - \$87,188,000) (note 10). For the year ended December 31, 2016, Cameco recorded interest income of \$2,155,000 relating to this balance (2015 - \$2,007,000).