

May 28, 2001

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
Securities Registry, Government of the Nunavut Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

Dear Sir or Madam:

Question 1

The current requirement should be relaxed. In my opinion Canadian investors are generally able to distinguish between say Canadian and U.S. GAAP. My recommendation is that the particular GAAP being used should be clearly described in Note 1 to the financial statements. This would reduce the possibility for error.

Question 2

The relaxation should be addressed to foreign issuers only provided that the disclosure advocated in (1) above were made. Foreign issuers need to be encouraged to list and raise money in Canada. I have no experience of Canadian GAAP reconciliations provided by foreign issuers. In my view the cost of a Canadian GAAP reconciliation is and should be immaterial. I doubt that most financial statement readers study such reconciliations carefully – if they do they will be able to draw their own conclusions in any event. I do

have experience of reconciliations to U.S. GAAP – I find them to be of limited use as the auditors tend to insist that even the smallest differences are addressed, thus making the reconciliations very confusing for non specialists. Canadian issuers should continue to be required to report using Canadian GAAP.

Question 3

Foreign issuers should be able to report under their home country rules. However, I do have reservations about jurisdictions such as the U.K. where companies only have to report semi-annually and do not furnish a complete income statement. Also, I would have reservations about Kazakhstan GAAP – but so would any investor.

My general comment is that Canadian GAAP, however well intentioned, is moving closer to U.S. GAAP. Two recent climb-downs are the elimination of accounting for deferred tax under the deferral method and the adoption of the treasury stock method for fully diluted earnings per share. What will be next – accounting for foreign exchange or accounting for research and development? I expect that the convergence of U.S. and Canadian GAAP will continue.

The GAAP reconciliation should not be required if a clear statement is made in Note 1 as to which GAAP is being followed.

Question 4

I believe that Canadian issuers should report under Canadian GAAP. If this requirement is dropped then financial statements in U.S. dollars under U.S. GAAP could be acceptable. However “GAAP shopping” is undesirable.

Question 5

I think the relevant ability levels are high and should not be underestimated.

Question 6

Beyond the scope of my knowledge.

Question 7

Initially, should be limited to U.S. GAAP – otherwise we would have to consider Japan, Belgium, Argentina, etc.

Question 8

I do not believe U.S. GAAP should be used in a Canadian company's financial statements.

Question 9

No

Question 10

Previous year plus adjustment to retained earnings.

Questions 11 – 17

Insufficient knowledge and experience to respond in a useful manner.

In response to the question in paragraph 2 of Mr Carchrae's letter dated May 3, 2001 we would consider reporting under U.S. GAAP in US\$. This is due to the fact that our industry (oilfield service) is carried out in U.S. currency and most significant oil and gas service public companies are U.S. firms. Thus Tesco Corporation is often compared to U.S. companies. Furthermore, the translation of results into Canadian dollars leads to continual foreign exchange gains and losses which can have a significant effect on Tesco Corporation's reported results.

If you have any questions please telephone me at (403) 233-0757.

Yours very truly,

Martin Hall, C.A.
Senior Vice President, Finance