June 28, 2001

Ontario Securities Commission
P.O. Box 55, 19th Floor
20 Queen Street West
Toronto, ON M5H 3S8

Attention: John A. Carchrae
Chief Accountant

Dear Mr. Carchrae:

Financial Reporting in Canada's Capital Markets

I am pleased to offer our response to a selected group of the questions that were proposed in the discussion paper on financial reporting provided by you. Our response has been limited to areas that I feel we can intelligently comment on, and which have the potential to affect Cameco, in the context as a preparer of financial information, and for our investors and creditors.

Q1. Should we relax the current requirements for reporting issuers participating in Canada's capital markets to provide financial information prepared in accordance with Canadian GAAP?

As the borders between financial markets become less and less restrictive, we feel that there should be changes to the current reporting environment in Canada. As discussed in the paper, at the very least, requirements for domestic and foreign issuers are not harmonized which adds complexity and cost to the capital markets. As well the current rules seem to provide freer access (less restrictive reporting requirements) to foreign companies over domestic. Due to the interdependence of Canada on the US market and the growing free trade zones developing elsewhere in the world, Canadian companies will be competing for capital more and more on a global rather than a domestic marketplace. These potential global investors may require information in a consistent, reliable format they understand, rather than trying to make sense of several different sets of statements, each using different reporting standards. It is unlikely that

Canadian GAAP is going to be this internationally accepted standard. We believe it is important for Canadian investors as well as Canadian companies to migrate towards having financial statements reported in a more "globally standardized" format.

Q2 Should any relaxation in current requirements address (a) foreign issuers; or (b) Canadian issuers; or (c) both foreign and Canadian issuers? Please explain the basis for your views, including addressing the basis for any distinction you believe should be made between the requirements for foreign issuers and those for Canadian issuers.

It is our view that issuers, whether foreign or domestic, should have the same reporting requirements. In order to promote easier access to Canadian and foreign capital markets, it doesn't make sense to have different requirements for issuers, which adds complexity for investors and issuers. We see no benefit to requiring a Canadian GAAP reconciliation from a foreign issuer on the initial issuance, with no requirement for them to continue this type of disclosure on a continuing basis into the future. If you want comparability and consistency for investors (nationally and internationally) the distinction between domestic and foreign cannot result in different requirements from each group. Based on that we feel that reconciliations, as long as they are required, should be required of all issuers regardless of whether they are domestic or foreign, and should continue past the original issuance, on a continuing basis.

Q3 In your view, how should the CSA implement any relaxation in the requirement for a reconciliation from foreign GAAP to Canadian GAAP?

We feel the best option for all parties involved is that companies maintain their records in their home GAAP while providing a reconciliation to some internationally accepted GAAP standard, rather than simply Canadian GAAP. Although we currently lack a detailed working knowledge of IAS, we believe this comncept best serves and balances the costs and benefits for all groups associated with financial information. Providers of information minimize their preparation costs by continuing to report in their home GAAP, requiring only a reconciliation to some common standard. It serves the interest of investors by continuing to provide comparable, relevant financial information by having all companies reconcile to one internationally accepted GAAP. It also serves other users, such as taxation bodies and governments, as standards could still be set to account for national differences and interests (for which foreign GAAP or IAS may not be acceptable).

On the issue of whether full or partial reconciliations should be performed, again if a difference is material, it should be reported. We don't see the justification for reconciling only specific items, if there is the possibility that an item excluded from a specified list could represent a material difference. Rather than limiting reconciliations to a specific list of items, we believe full reconciliations should be done, subject to materiality constraints. In our opinion, this is the best alternative (and the most defendable) if you are trying to trade off incremental cost with incremental benefits. Issuers (and their auditors) should be familiar enough to judge materiality of a particular difference, but who is going to determine in a partial reconciliation scenario what is and isn't relevant for the users of the information.

On the issue of providing quantitative and/or qualitative discussion in the reconciliations, it is our belief that it is not enough to simply discuss qualitatively to illustrate the effect in GAAP reconciliations. Relevant data and figures should be made available in order that all users of the financial information are given the proper guidance. To discuss the effect in general terms without showing the relative impact it has on the statements does not go far enough in our opinion, and would increase the likelihood of the information being interpreted in many different ways by different users.

In short, we are not recommending that there be any relaxation of the current requirements, merely that the standard to be reconciled to be changed from Canadian GAAP to something more widely accepted in the international community.

Q4 If you believe Canadian companies should no longer be required to prepare financial statements in accordance with Canadian GAAP, what alternatives do you believe should be available and why are they an appropriate basis for a Canadian company to participate in Canadian capital markets?

We feel that the issue of which particular GAAP should provide the basis for financial statements should be open to Canadian and foreign companies. If a particular company feels that a different GAAP is more relevant for its users and it's willing to incur the additional cost (because in their view it is offset by the benefits to the users) of preparing such statements, the option should be available. With the rise in "phantom" Canadian companies, which are based in Canada but have the primary business in another country, including operations, customers, competitors, suppliers, investors, creditors etc., it makes little sense to have such a company report in Canadian GAAP. As long as the company provides its statements in the most relevant GAAP for its users, while still providing a reconciliation to an internationally accepted standard (whether that be US GAAP or IAS), we feel that the interests of all parties will be best met.

Q5 On the basis of your own knowledge and experience, what is your assessment of the ability of Canadian issuers, auditors and users to prepare, audit and make use of financial statements prepared on bases other than Canadian GAAP?

Cameco's exposure to foreign GAAP has been limited to providing US GAAP reconciliations with our Canadian GAAP based financial statements since 1996. In addition, one of our foreign joint ventures reports in accordance with Kyrgyz GAAP, which for all intents and purposes is IAS. We are not required to submit full US GAAP statements to satisfy US regulators due to the MJDS provisions currently in effect.

Despite Cameco's experience with other sets of accounting standards, I would rank our internal knowledge and understanding of non-Canadian GAAP as relatively low, except on the specific issues affecting Cameco's consolidated financial statements. Furthermore, I would rate our local external auditors (Saskatoon based) as not being qualified to provide an opinion on foreign GAAP. It is our perception that they lack the in-house expertise locally to deal with the wide assortment of US GAAP topics related to Cameco. They place a great deal of reliance on their national office or of an affiliated office that has sufficient knowledge of the particular GAAP in question. I cannot comment on other preparers or users of financial statements and their capabilities. I believe our investors either understand our US GAAP reconciliation and find it useful, or simply don't care about the note. We don't seem to get many investor inquiries regarding the note and therefore don't have a lot of direct evidence regarding its usefulness.

Since 1996, Cameco's US GAAP reconciliation has been growing in size and detail. In our 1996 annual report, the reconciliation note analyzed 2 GAAP differences, and spanned approximately 2 pages. Our 2000 annual report's US GAAP reconciliation contained 8 differences and spanned nearly 4 pages. We can appreciate the need for a reconciliation due to the significant differences between Canadian and US GAAP on these specific issues. However, our 2001 annual report reconciliation is expected to expand further, and therefore we welcome efforts to harmonize and eliminate GAAP differences in the long run, although we recognize that this will likely come in a long series of steps.

Question 6 has been skipped.

Q7 If you believe the accounting standards of certain foreign countries, e.g., US GAAP, should be acceptable for use by Canadian companies while other foreign GAAP should not, what is your basis for this distinction?

If the CSA and OSC were to allow alternatives to Canadian GAAP, we believe they should initially be limited to those within the G4+1 group. Each of these sets of standards is based on a common conceptual framework, and each go through a rigorous private sector development and approval process. We believe it is critical to maintain the respect and trust that has evolved over time from other bodies in society (government, business entities, etc) that reference GAAP standards to conduct their business. We believe a large part of this respect has been generated upon the belief that the standards are free of bias and are developed to serve the public interest. Ideally, we see this as merely a transition adjustment until a point in time in which there is truly only one internationally accepted set of standards.

Q8 If you believe US GAAP should be permitted as an alternative basis for preparation of a Canadian company's financial statements, should that alternative be available to all Canadian companies or to only a limited group such as those that are SEC registrants and are therefore required to provide US GAAP financial statements or a reconciliation to US GAAP? If you believe the alternatives should be available to a limited group only, what criteria should be applied to determine eligibility?

We feel that the recommendations in our response should only be applicable to companies (domestic and foreign) with publicly traded debt or securities (or which have plans to issue such securities), either on a Canadian or a foreign exchange. It doesn't make sense to allow companies, which have no significant creditor or shareholder interest, with the option to follow these standards if there is little or no benefit to outside users to offset the incremental costs to the preparers. We feel that such companies would not likely be inclined to prepare statements in US GAAP.

Question 9 has been skipped.

Q10 If the CSA permits alternatives to Canadian GAAP, what transitional issues would need to be addressed to facilitate implementation of the change?

It would be preferable to have the previous years statements re-issued based on the alternative GAAP (or a reconciliation provided for the prior year). Investors would have the benefit of added comparability, at the one-time expense of preparers having to prepare an additional audited reconciliation for the prior year. For those companies wishing to adopt a different GAAP as their basis, again we believe that restatement should be required, and that the costs of such a task will be outweighed by the benefits of providing users consistent, reliable information.

We also believe that the CSA and OSC should regulate these requests for GAAP changes by requiring companies to obtain their approval through a written submission. Companies should be required to give the reasons as to why such a change is going to benefit users of their financial information, or at the very least why it will not deprive them of any necessary information.

For these recommendations to have any hope of success, this method of financial reporting would have to be accepted by other securities regulators in the international financial community. It would fail to serve Canadian companies and investors who participate in domestically and international capital markets, if we were to adopt these recommendations while no other member countries are willing to do so

Due to our limited experience with IAS, I have declined to comment on the remainder of the questions in the discussion paper. However, we feel that financial statements, and in particular the income statement, are one of many potential sources of information for investors and other financial information users. Investors need historic information regarding earnings and financial position, but they also need cash flow information, as well as future oriented information on prospects for the company and the industry. Many would argue that it is information regarding the future prospects for a particular company that should drive investment decisions. We feel that relevant and reliable financial statements are an important tool for investors to have, but have become more of an analytical tool for investors, and are likely not the most important source of information when it comes to making their investment decision.

I look forward to the publication of the comments you receive and any conclusions the CSA may arrive at which they feel should be implemented.

Andy Furlan, CGA
Controller