



LEMBAGA PIAWAIAAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD

15 April 2004

The Chairman
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Sir David,

**IASB ED6, EXPLORATION FOR AND EVALUATION OF MINERAL
RESOURCES**

The Malaysian Accounting Standards Board (MASB) is pleased to provide its comments on IASB ED6, Exploration For And Evaluation Of Mineral Resources, as set out in the accompanying pages.

We hope that you will find the comments useful in your deliberation of the above Exposure Draft.

We thank you for the opportunity to give our comments.

Yours sincerely,

A handwritten signature in blue ink, written in a cursive style. The signature appears to read 'Dato' Zainal Abidin Putih'.

Dato' Zainal Abidin Putih
Chairman

Question 1 - Definition and additional guidance

The proposed IFRS includes definitions of exploration for and evaluation of mineral resources, exploration and evaluation expenditures, exploration and evaluation assets and a cash-generating unit for exploration and evaluation assets. The draft IFRS identifies expenditures that are excluded from the proposed definition of exploration and evaluation assets. Additional guidance is proposed in paragraph 7 to assist in identifying exploration and evaluation expenditures that are included in the definition of an exploration and evaluation asset (proposed paragraphs 7 and 8, Appendix A and paragraphs BC12 — BC14 of the Basis for Conclusions).

MASB has no objection to the proposals.

Question 2 - Method of accounting for exploration for and evaluation of mineral resources

- (a) Paragraphs 10 - 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors specify sources of authoritative requirements and guidance an entity should consider in developing an accounting policy for an item if no IFRS applies specifically to that item. The proposals in the draft IFRS would exempt an entity from considering the sources in paragraphs 11 and 12 when assessing its existing accounting policies for exploration and evaluation expenditures by permitting an alternative treatment for the recognition and measurement of exploration and evaluation assets. In particular, the draft IFRS would permit an entity to continue to account for exploration and evaluation assets in accordance with the accounting policies applied in its most recent annual financial statements.
- (b) The Exposure Draft proposes that an entity would continue to use its existing accounting policies in subsequent periods unless and until the entity changes its accounting policies in accordance with IAS 8 or the IASB issues new or revised Standards that encompass such activities (proposed paragraph 4 and paragraphs BC8 — BC11 of the Basis for Conclusions).

Are these proposals appropriate? If not, why not?

The proposals are appropriate.

Question 3 — Cash-generating units for exploration and evaluation assets

[Draft] IAS 36 requires entities to test non-current assets for impairment. The draft IFRS would permit an entity that has recognised exploration and evaluation assets to test them for impairment on the basis of a 'cash-generating unit for exploration and evaluation assets' rather than the cash-generating unit that might otherwise be required by [draft] IAS36. This cash-generating unit for exploration and evaluation assets is used only to test for impairment of exploration and evaluation assets recognised under proposed paragraph 4 (see proposed paragraphs 12 and 14 and paragraphs BC15 - BC23 of the Basis for Conclusions).

Are the proposals appropriate? If not, why not? If you disagree with the proposal that exploration and evaluation assets should be subject to an impairment test under [draft] IAS36, what criteria should be used to assess the recoverability of the carrying amount of exploration and evaluation assets?

The proposals are appropriate.

Question 4 - Identifying exploration and evaluation assets that may be impaired

The draft IFRS identifies indicators of impairment for exploration and evaluation assets. These indicators would be among the external and internal sources of information in paragraphs 9 - 13 of [draft] IAS36 that an entity would consider when identifying whether such assets might be impaired (paragraph 13 and paragraphs BC24 - BC26 of the Basis for Conclusions).

Are these indicators of impairment for exploration and evaluation assets appropriate? If not, why not? If you are of the view that additional or different indicators should be used in assessing whether such assets might be impaired, what indicators should be used and why?

The indicators are appropriate. In any event, annual impairment test is required on exploration and evaluation assets because they include both production and potentially production assets.

Question 5 — Disclosure

To enhance comparability, the draft IFRS proposes to require entities to disclose information that identifies and explains the amounts in its financial statements that arise from the exploration for and evaluation of mineral resources (proposed paragraphs 15 and 16 and paragraphs BC32 — BC34 of the Basis for Conclusions).

Are the proposed disclosures appropriate? If not, why not? Should additional disclosures be required? If so, what are they and why should they be required?

Disclosure of information on the amounts of asset, liabilities, revenue and expenses are appropriate. The drafting of paragraph 16(b) with regard to cash flows could be modified as follows:

...the amounts of assets, liabilities, income and expense (and cash flows, if it presents its cash flow statement using the direct method) arising from the exploration for and evaluation of mineral resources.

In addition, MASB would like to propose all relevant disclosures in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (e.g. a reconciliation of the carrying amount at the beginning and end of period), should be required in this Standard.