

1 September 2004

Mr Colin Fleming
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

(BY E-MAIL TO: cfleming@iasb.org.uk)

Dear Mr Fleming

**RE: INTERNATIONAL ACCOUNTING STANDARDS BOARD'S (IASB) EXPOSURE
DRAFT 6 *EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES*
(IAS ED 6) — REQUEST FOR FURTHER COMMENT**

The Minerals Council of Australia (MCA) welcomes the opportunity to comment further on the International Accounting Standards Board's (IASB) Exposure Draft 6 *Exploration for and Evaluation of Mineral Resources* (IAS ED 6).

The MCA is the peak, national organisation representing the exploration, mining and mineral processing sectors in Australia, as well as companies in product and service provision. MCA member companies produce over 85 per cent of Australia's mineral output.

The MCA's mandate is to promote a business platform conducive to investment, growth and profitability for a minerals industry that is safe, globally competitive, innovative and socially and environmentally responsible. Further details on the MCA, and on Australia's minerals industry, can be found at our web site, www.minerals.org.au.

We refer to our previous comments on IAS ED 6, contained in our letter dated 19 March 2004, and reconfirm our view that entities incurring exploration and evaluation expenditure should be able to continue their existing accounting policies, with some safeguards, until the accounting issues associated with extractive industries can be considered more completely.

The MCA is in agreement with the grandfathering concept as it applies in the ED, as it allows companies to continue with their existing accounting policies until a more considered view has been determined by the IASB.

The MCA is supportive of the recent decision by the IASB to only apply IAS 36 *Impairment of Assets* in circumstances in which entities are likely to have the necessary information to make the impairment assessment and where there are facts and circumstances that indicate that the carrying amount of that asset exceeds its recoverable amount. We are also supportive of the decision to remove the exclusion of administrative and other general overheads from the definition of exploration and evaluation costs. This is a sensible and practical outcome as the direct and overhead costs of exploration programs, exploration offices and field offices are now included as part of exploration costs.

The inclusion of an alternative "special cash-generating unit for exploration and evaluation assets" is unlikely to result in any different outcome for smaller exploration companies than the "cash-generating unit" basis as currently contained in IAS 36. This alternative, however, is more

likely to be a viable option to those larger minerals companies that may be able to incorporate exploration and evaluation expenditures into an existing segment.

The MCA is therefore in favour of retaining the special cash-generating unit.

The MCA would be pleased to meet with the Board or its Secretariat to discuss any aspect of this submission. Please feel free to contact me via telephone, on +61 2 6233 0649 or via e-mail, at damian.dwyer@minerals.org.au should you wish to discuss further.

Yours sincerely

A handwritten signature in black ink, reading "Damian Dwyer". The signature is written in a cursive style with a long, sweeping underline.

DAMIAN DWYER
Assistant Director – Economics and Commerce

Copy to: Mr David Boymal, Chairman, Australian Accounting Standards Board