



The Chairman
Australian Accounting Standards Board
PO Box 204
Collins St West
Vic 8007 Australia

17 August 2004

Dear Sir

ED 130 Request for comment on IASB ED 6 Exploration for and Evaluation of Mineral Resources further comment requested

We appreciate the opportunity to respond further to the International Accounting Standards Board's exposure draft of its proposed IFRS Exploration for and evaluation of Mineral Resources in relation to the level at which testing for impairment of Exploration and Evaluation ("E&E") Assets should be carried out. We understand that this opportunity to comment further is a precursor to this matter being further deliberated by IASB at its September meeting.

We note that a significant body of response was received by IASB in relation to ED 6. Some 54 letters were received in all, as a result of which there has been considerable deliberation of the ED by the IASB at each of its June and July meetings. Arising from those further deliberations, a number of issues raised have been amended or clarified in the proposed standard. We support the decisions which have been made as a result of those deliberations to date and are very pleased with the approach taken by IASB in taking the views of industry into account in finalising the proposed standard.

Specifically, the recommendation that exploration and evaluation assets shall be assessed for impairment when and only when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and the provision of guidance as to when those circumstances are likely to occur will greatly assist on going comparability with existing practice in many countries.

Further, the deletion of the prohibition on the inclusion of administrative and other general overhead costs in capitalised E&E costs will likewise ensure a greater level of consistency with current practice. We believe that the inclusion of such costs in E&E when they are directly attributable to those activities is, and continues to be, appropriate.

Both of these amendments are consistent with IASB's stated objectives of minimising required changes in the short term pending the more comprehensive project for extractive industries which is pending and we welcome them.

We concur with the board's intention that entities should be able to test impairment at the level of the cost centre for extractive industries. In light of the clarification provided to date in relation to the circumstances in which impairment testing should be carried out, we believe that the way that this can be achieved is to eliminate the special CGU and require all entities recognising E&E assets to test those assets for impairment using IAS 36, or where it is not appropriate to test a specific asset, for a general definition CGU.



Specific clarification should be provided within ED 6 and the resultant IFRS as to the definition of an "asset" as it applies to E&E costs. To achieve the IASB/s stated objective of grandfathering existing practice, we suggest that the appropriate definition of an asset would be consistent with the area of interest definition embodied in current Australian standards:

"an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit, namely or an oil or natural gas field"

We would expect that for those pure exploration companies who do not yet have development or production assets, that there would be no attempt to aggregate to a general definition CGU. Rather, testing would be done at the asset level as defined above. If specific guidance is provided within ED 6 to clarify that this is the definition of an "asset" for E&E assets, the need for a special CGU for E&E assets falls away. E&E assets will only be aggregated with other assets within the "normal" IAS 36 definition of a CGU and hence will only be aggregated with income producing assets to which the E&E costs directly relate.

If this approach is adopted, this will enable those junior exploration companies who do not yet have a current source of operating cash flows to assess E&E costs on a basis which is consistent with current common practice in Australia, hence the main aims of achieving "grandfathering" of existing practice will be achieved.

Should you wish to discuss the comments raised in this letter, please do not hesitate to contact me.

Yours faithfully

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Company Secretary

cc:

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