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31 August 2004

Dear David

Comment on special CGU proposed in the IASB ED 6: Exploration for and Evaluation of Mineral Resources

This letter is in response to an email Glen Braddy sent us regarding the AASB's consideration of the IASB's continuing deliberations on the responses received to ED 6 Exploration for and Evaluation of Mineral Resources and the implications for Australian mining companies.

We understand that the IASB is intending to grandfather the policies that companies are currently applying in respect of exploration and evaluation assets pending a more detailed review of this topic. Companies would be required to test this capitalised expenditure for impairment in accordance with IAS 36 when trigger events arise. Glen Braddy's email indicates that you are interested in the views of the Australian firm on the proposal in ED 6 to adopt the concept of a "special cash generating unit for exploration and evaluation assets" for impairment testing

As you are aware, our global firm's submission on ED 6 did not support the proposal to establish a special cash generating unit for impairment testing. The global firm has not lodged a submission in relation to the IASB's further deliberations.

We acknowledge that some Australian mining companies may currently test for impairment at a higher level than cash generating unit as defined in IAS 36. However, we do not see that there is an appropriate basis for establishing a different concept of cash generating unit for this industry at this time.

We consider that it would be helpful to provide additional guidance on how to identify cash generating units in the mining industry, either through the inclusion of examples or by explaining how the concept of "independent cash flows" should be applied. This would reduce the risk of

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mining companies applying IAS 36 in different ways in similar circumstances. In particular, we favour the inclusion of guidance to deal with the following situations:

- exploration and evaluation assets relating to the extension or expansion of an existing mine;
- exploration and evaluation assets that would share facilities or infrastructure assets (such as a concentrator or smelter) with:
 - an existing mine and/or
 - another exploration and evaluation asset.

The views expressed in this letter are the views of the Australian firm. We would be pleased to discuss them at your convenience. Please contact me directly on 03 8603 3868 if there is any matter you would like me to elaborate further.

Yours sincerely



Jan McCahey

Partner

Assurance

CC: Glen Braddy, Project Manager, AASB
Colin Fleming, IASB