CL 25

16 April 2004

Colin Fleming
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr Fleming,

Exposure Draft ED 6, Exploration for and Evaluation of Mineral Resources

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board - NASB) is pleased to comment on the International Accounting Standards Board's (the Board's or IASB's) Exposure Draft—ED 6 *Exploration for and Evaluation of Mineral Resources* (referred to as ED 6 or the draft standard). Our responses to the questions raised in the Exposure Draft are set out in the Appendix to this letter.

We support IASB's efforts to address industry specific accounting questions for the Extractive Industries. We urge IASB to address these issues as part of a comprehensive project involving the development of proper recognition and measurement principles for the extractive industries. We would also encourage the IASB to complete this project in conjunction with standard-setters from other jurisdictions that have had accounting pronouncements on these issues for some time. We would recommend that such a comprehensive project be performed in close cooperation with FASB to be able to draw experience from on USGAAP standards, regulations and experience through the last 30 years.

However, due to the time constraints we support the development of ED 6 into an International Financial Reporting Standard until such time as the IASB's comprehensive project can be completed.

Yours sincerely
Norsk RegnskapsStiftelse

Idar Eikrem
Chairman

Appendix
Comments of Norsk RegnskapsStiftelse on
Exploration for and Evaluation of Mineral Resources

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).

Exploration
We do believe that when considered as a separate definition 'the search for mineral resources, including mineral, oil, natural gas, and similar non-regenerative resources' is appropriate

Evaluation
We believe that when considered as a separate definition 'the determination of the technical feasibility and commercial viability of the extracting the mineral resource before the decision to develop the mineral resource' is appropriate. Consistent with other IFRS standards (e.g. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), some guidance should be provided on what constitutes a 'decision' that would change the accounting methodology. Such guidance should focus on ensuring entities choose a consistent point where evaluation is considered to be complete and development is ready to begin.

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 some 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 – BC 11 of the Basis for Conclusions).*

Are these proposals appropriate? If not, why not?

We support these proposals as an interim measure until such time as the IASB can complete its comprehensive project on the issues.

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] IAS 36. This cash-generating unit for exploration and evaluation assets is used only to test for impairment exploration and evaluation assets recognised under 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] IAS 36, what criteria should be used to assess the recoverability of the carrying amount of exploration and evaluation assets?

We agree that exploration and evaluation assets should be subject to an impairment test under [draft] IAS 36 and that the proposals are appropriate as an interim measure.

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] IAS 36 that an entity would consider when identifying whether such assets might be impaired (paragraphs 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?

We agree with the suggested indicators of impairment.

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?

We agree that the proposed disclosures are appropriate. We believe that where an entity capitalises exploration and evaluation costs, a reconciliation of the opening balance of amounts capitalised to the closing balance of amounts capitalised should be required. This is consistent with other assets such as property, plant and equipment, and intangible assets, and consistent with the requirements in respect of such assets.