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*135 Hamilton Place*
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Mr Colin Fleming
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

19 March 2004

Dear Sir,

**ED6 Exploration for and Evaluation of Mineral Resources**

I am writing in response to the invitation to comment on this Exposure Draft.

I consider that the further clarification of the annual impairment test for exploration and evaluation assets is required. This is because:

1. Exploration and evaluation assets are, by definition undeveloped (paragraph 8). This necessarily means that they are incapable in their current state of generating cash from normal operations. Their only cash generating capacity would lie in theft sale potential. The sales potential of these assets will depend on geological and geophysical information known only to their owner and so is not readily assessable.

2. IAS 36 (paragraph 41) effectively prohibits future development expenditures being taken into account in determining estimates of future cash flows, therefore the developed cash generating capacity potential of exploration and evaluation assets cannot be taken into account in the annual impairment test.

The definition in the Exposure Draft of a 'cash generating unit for exploration and evaluation assets' appears to presume that these units will generate cash inflows from continuing use. But, only units that include already developed and producing assets can generate cash from continuing use. This mans that any exploration and evaluation assets held in a new geographic area will have to be impaired, however promising they might be, until such time as some part of them starts producing.

Further clarification is required because, if the circumstances outlined above apply, then the expenditures as defined in paragraph 7 of the Exposure Draft will have to be impaired, arid so it might not be appropriate to classify these expenditures as assets at the time the expenditures are initially made.

Yours Faithfully,

R.F.Baker

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