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16 April 2004

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

Dear Colin Fleming:

The International Accounting Standards Review Committee (IASRC) of the Korea Accounting Standards Board (KASB) has held a meeting today and has finalized on its comments to the ED 6, *Exploration for and Evaluation of Mineral Resources*. I would appreciate your including our comments in your summary of analysis that will be presented to the IASB.

The enclosed comments are those of the IASRC and do not represent an official position of the KASB. The official position of the KASB is determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may forward your inquiries either to Mr. Jae-ho Kim (jhkim@kasb.or.kr) or Mr. Kyoung-chun Yu (yukc@kasb.or.kr), both of whom are full-time researchers of the KASB.

Best regards,

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Dr. Suk Sig Lim
Chairman, International Accounting Standards Review Committee
Vice-Chairman, Korea Accounting Standards Board

Encl: IASRC comments on the ED 6, *Exploration for and Evaluation of Mineral Resources*.

IASRC Comments on the ED 6

In general, the IASRC agrees with the proposals for (1) the definitions of new terminologies, (2) temporary exemption from the application of ED 6, (3) allowing a test of impairment on the basis of a “cash-generating unit for exploration and evaluation assets, (4) additional indicators of impairment for exploration and evaluation assets, and (5) disclosure requirements about the exploration for and evaluation of mineral resources.

However, the IASRC also considered the arguments of four board members that voted against the publication of ED 6. Although the IASRC sympathizes with the need for IFRS addressing exploration for and evaluation of mineral resources, it is concerned about the deterioration of comparability among entities engaged in the exploration for and evaluation of mineral resources since the draft IFRS allows the continuation of a variety of accounting treatments for exploration and evaluation expenditures. As it is addressed in the basis for conclusion, the object of the draft IFRS is to provide interim measures. The IASRC concludes that the effect of the interim measure should be minimized and the ultimate IFRS based on detailed analysis should be issued as soon as possible.

With respect to the proposed definitions included in ED 6, the IASRC is concerned with the concept of a “cash-generating unit for exploration and evaluation assets”. Although it seems that the definition of cash-generating unit for exploration and evaluation assets, in itself, is appropriate, more detailed guidance or example on implementing the definition is necessary. In the definition, ED 6 limits the ceiling of “cash-generating unit for exploration and evaluation assets” to a segment. Indeed, if implementation guidance on determining the cash-generating unit for exploration and evaluation assets is provided, the substantive effect of the limitation may be much more warranted. For example, if the draft IFRS proposes that exploration and evaluation assets are able to be grouped with assets under both development and production stages, the concept of a “cash-generating unit for exploration and evaluation assets” may become more concrete.