26 August 2004

Mr Colin Fleming
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

BY FACSIMILE TO: +44 20 7246 6411

Dear Mr Fleming

**RE: INTERNATIONAL ACCOUNTING STANDARDS BOARD'S (IASB) EXPOSURE DRAFT 6 *EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES* (IAS ED 6) - REQUEST FOR FURTHER COMMENT**

WMC Resources Ltd (WMC) welcomes the opportunity to comment further on the International Accounting Standards Board's (IASB) Exposure Draft 6 *Exploration for and Evaluation of Mineral Resources* (IAS ED 6).

WMC strongly endorses the decision by the IASB to only require impairment testing of an "exploration and evaluation asset" when specific facts and circumstances indicate that the carrying amount of the exploration and evaluation asset exceeds its recoverable amount. We are also supportive of the decision to permit inclusion of administrative and other general overheads within the definition of exploration and evaluation costs.

WMC believes the concept of Special Cash Generating Unit (SCGU) should be retained in IAS ED 6. Under current Australian GAAP, companies are able to aggregate exploration assets under the "Area of Interest" concept whilst they are in the exploration, evaluation and development phases. This permits the practical synergies of collectively managing individual components of the area of interest during these phases to be taken into account in assessing recoverable amount. The concept of a SCGU takes a similarly practical approach.

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Further, we do not believe the impairment testing approach in IAS 36 is appropriate to assessing exploration and evaluation assets. IAS 36 is not clear in how enhanced capital costs (and associated cash inflows) are to be treated with respect to the value in use approach which, given the nature of mining, is a significant issue. The application of this to a mining operation which is in the development stage could be particularly problematic. Alternatively, companies may choose to use the "net selling price" option in IAS 36. However, we understand that the definition of net selling price is under determination and will be finalised in the next version of IAS 36. Consequently, it is difficult for prospective users to assess the implications of this alternative.

Based on the above, we are in favour of retaining the SCGU concept.

Yours sincerely

**BRUCE R BROOK**
CHIEF FINANCIAL OFFICER

Copy to: Mr David Boymal, Chairman, Australian Accounting Standards Board