

# IFRS 6

## Exploration for and evaluation of mineral resources

### 1. Objective

This Standard specifies the financial reporting for expenditures for the exploration and evaluation of mineral resources.

### 2. Scope

The Standard applies solely to any expenditure for activities involving:

- exploration of mineral resources;
- work on technical feasibility studies and the commercial viability of an extraction project.

It does not deal with other aspects of accounting, in particular that of the operations themselves.

It does not apply to expenditure incurred before the entity has obtained the legal rights to explore a specific area, nor does it apply to expenditure incurred after the technical and commercial viability of extracting mineral resources has been demonstrated.

### 3. Accounting impact

#### 3.1 Mineral resources exploration and evaluation assets

Mineral resources exploration and evaluation assets must be measured at cost. The entity must determine an accounting policy specifying which expenditures are recognized as exploration and evaluation assets. This policy must be applied consistently.

Standard IFRS 6 sets out a non-exhaustive list of the elements that may be regarded as exploration and evaluation assets. These include, but are not limited

to, expenditure relating to:

- purchase of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- sampling;
- activities relating to the assessment of the technical feasibility and commercial viability of extracting a mineral resource;

Obligations incurred during the current reporting period relating to future removal and restoration must be recognized in accordance with IAS 37.

### **3.2 Cost or revaluation methods**

After initial recognition of exploration and evaluation assets, the entity must apply either the cost model or the revaluation model. If the revaluation model is used in accordance with either IAS 16 or IAS 38, it must be applied consistently.

A change in accounting policy is permitted only if it makes the financial statements more relevant to the economic decision needs of users and no less reliable, or more reliable and no less relevant, to those needs, in accordance with IAS 8 relevance and reliability criteria.

### **3.3 Classification of exploration and evaluation assets**

Companies should classify exploration and evaluation assets as either tangible or intangible assets according to the nature of the assets acquired.

### **3.4 Impairment of exploration and evaluation assets**

Exploration and evaluation assets must be assessed for impairment when facts and circumstances suggest that their recoverable value has become lower than their carrying amount. Where this is the case, any resulting impairment loss must be measured, presented and disclosed in accordance with IAS 36.

## **4. Disclosure**

The company must disclose information related to exploration and evaluation of mineral resources that identifies and explains the amounts recognized in its financial statements.