



IFRS IN BRIEF

IFRS 6 *Exploration and Evaluation of Mineral Resources*

SCOPE

This standard applies only to the exploration and evaluation of mineral resources. It does not apply to expenditure incurred:

- Before the commencement of the exploration and evaluation, such as expenditure before there is a legal right to explore the area.
- After the technical feasibility and commercial viability of mineral extraction has been demonstrated.

EXPLORATION AND EVALUATION ASSETS

Entities determine their own accounting policy to determine what exploration and evaluation expenditure is capitalised as an exploration and evaluation asset.

The exploration and evaluation assets are classified as either tangible assets or intangible assets depending on the nature of the underlying expenditure.

MEASUREMENT AT INITIAL RECOGNITION

At initial recognition exploration and evaluation assets are measured at cost.

The types of costs that can be capitalised include:

- Acquisition of rights to explore
- Topographical, geological, geotechnical and geophysical studies

- Exploratory drilling
- trenching
- Sampling

MEASUREMENT AFTER RECOGNITION

After initial recognition exploration and evaluation assets shall account for exploration and evaluation assets at either the cost model or the revaluation model in accordance with either IAS 16 *Property, plant and equipment* or IAS 38 *Intangible assets* depending on the classification of the asset.

IMPAIRMENT

IFRS 6 provides specific indicators of impairments for exploration and evaluation assets which should be applied instead of the indicators in IAS 36 *Impairment of Assets*. These indicators are:

- The exploration right for the area as expired or is expected to expire soon and is not expected to be renewed
- Substantive further exploration and evaluation expenditure in the specific areas not planned
- No commercially viable mineral resources have been found and the decision has been made to discontinue exploration and evaluation in that specific area
- Information indicates that even if development in the area is likely to proceed, the carrying amount of the



exploration and evaluation assets is unlikely to be fully recovered.

If impairment testing is required, the impairment test shall be carried out in accordance with IAS 36.

RECLASSIFICATION

Once technical feasibility and commercial viability of a project has been proven, assets can no longer be classified as exploration and evaluation. Assets should

be assessed for impairment before they are reclassified.

DISCLOSURES

The accounting policy for the treatment of amounts arising from the exploration and expenditure for mineral resources. In addition, the amounts of recognised assets, liabilities, income, expense and cash flows related to these activities should also be disclosed. Exploration and evaluation assets should be their own separate class of asset when recognised under IAS 16 or IAS 38 and the relevant disclosures under those standards provided.

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