

Exploration for and Evaluation of Mineral Resources: IFRS 6

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IFRS 6 – Objective and Scope



- IFRS 6 is limited to the accounting for and reporting of costs associated only with the **exploration and evaluation of mineral resources**. These activities are defined as:
 - the **search for mineral resources...after the entity has obtained legal rights to explore in a specific area, and**
 - the **determination of the technical feasibility and commercial viability** of extracting the mineral resource.

IFRS 6 – Objective and Scope

- IFRS 6 is an **interim measure pending completion** of a major project on extractive activities.
- **Permits continuation of accounting policies used prior to adoption of IFRS**
- Accounting policies **may be inconsistent with IFRS Framework**

IFRS 6 – Recognition and Measurement of Exploration and Evaluation Assets

Recognition:

Companies **use a variety of methods** to account for exploration and evaluation activities, **from expensing all related costs to fully capitalizing them**

Therefore, exploration and evaluation assets are defined in terms of the **policy each company chooses**

IFRS 6 – Recognition and Measurement of Exploration and Evaluation Assets

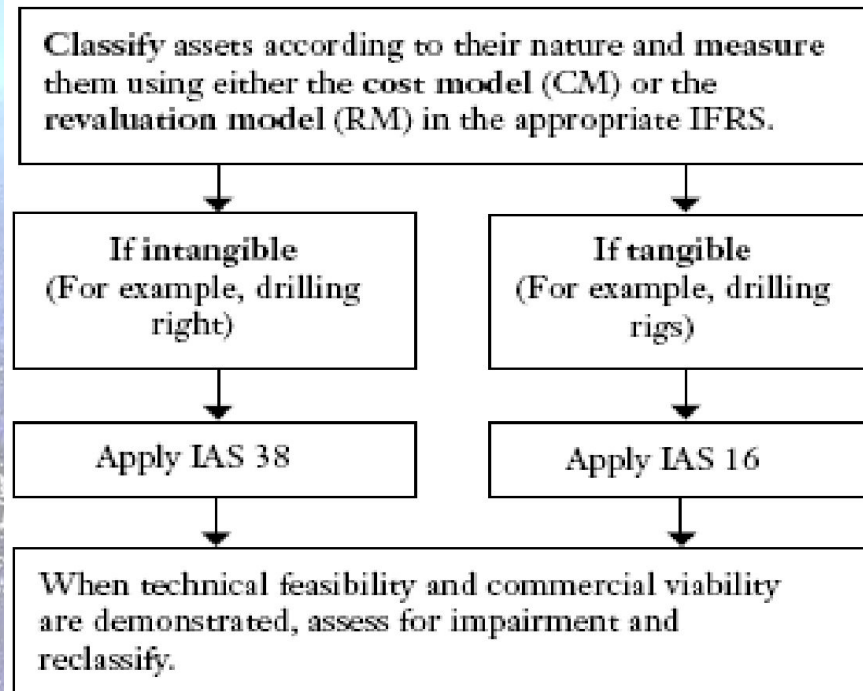
Exploration and evaluation assets are **recognized at cost**

Examples of costs that may be capitalized:

Cost of exploration rights, geological studies, exploratory drilling and sampling, and evaluating technical and commercial viability of extraction

IFRS 6 – Recognition and Measurement of Exploration and Evaluation Assets

Classification of exploration and evaluation assets:



IFRS 6 - Impairment

Impaired? When facts and circumstances suggest that carrying amount > recoverable amount. Consider:

- the right to explore expires and is not expected to be renewed
- no other substantial expenditures are planned for exploration or evaluation in the area
- the entity decides to stop exploration and evaluation activities because viable quantities have not been found in the area
- although development is likely, the costs capitalized as exploration and evaluation assets exceed the amounts that are likely to be recovered

Impairment losses are taken to profit or loss – may be reversed

IFRS 6 - Disclosure

- Disclosure objective: to **identify and explain amounts recognized** in the financial statements that result from exploration and evaluation activities
- If classified as PP&E, use IAS 16
- If classified as intangible asset, use IAS 38

IFRS 6 - Disclosure

- Minimum disclosure:
 - **Accounting policies** for exploration and evaluation expenditures and their capitalization as assets
 - The amount of **assets, liabilities, income, expense, and operating and investing cash flows** from exploration and evaluation activities

thank
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you!