

# **Exploration for and Evaluation of Mineral Resources: IFRS 6**

**Lee Leyla  
Rakhimzhanova Savira  
Finance 12.752**

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- Recognition and Measurement of Exploration and Evaluation Assets
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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**

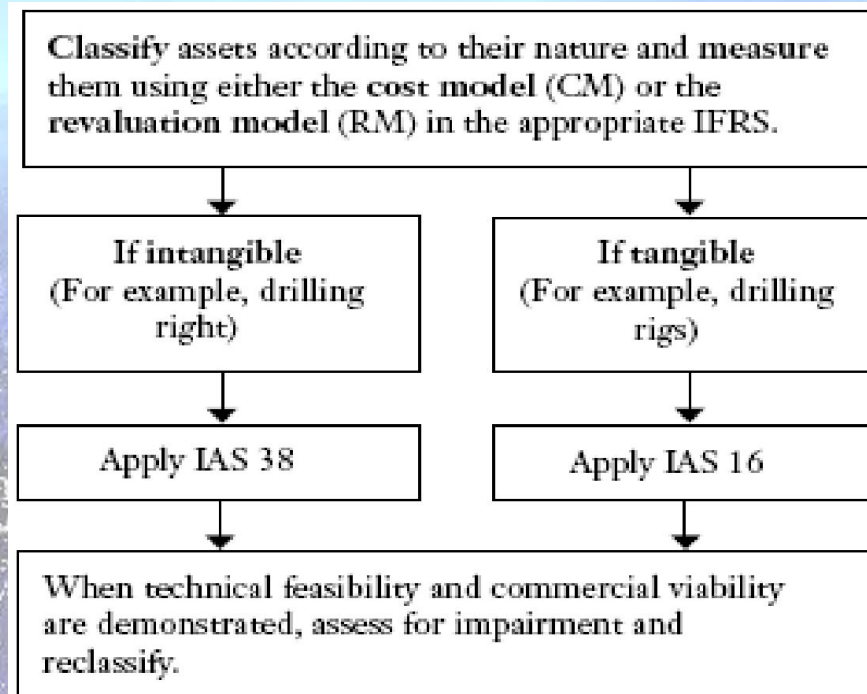
Examples of costs that may be capitalized:

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  
you!