NZ IFRS 6: EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

Version 1: 2020

Effective Periods Beginning
1 January 2007

SCOPE

- An entity applies NZ IFRS 6 to exploration and evaluation expenditures that it incurs.
- An entity does not apply NZ IFRS 6 to expenditures incurred:
  - Before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area.
  - After the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

MEASUREMENT AT INITIAL RECOGNITION

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

MEASUREMENT AFTER RECOGNITION

After recognition, an entity applies either the cost model or the revaluation model to the exploration and evaluation assets. Refer to NZ IAS 16 – *Property, Plant and Equipment* and NZ IAS 38 – *Intangible Assets* for guidance.

ELEMENTS OF COST OF EXPLORATION AND EVALUATION ASSETS

- An entity determines an accounting policy specifying which expenditures are recognised as exploration and evaluation assets.
- The following are examples of expenditures that might be included in the initial measurement of exploration and evaluation assets.
  - Acquisition of rights to explore;
  - Topographical, geological, geochemical and geophysical studies;
  - Exploratory drilling;
  - Trenching;
  - Sampling; and
  - Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

PRESENTATION

An entity classifies exploration and evaluation assets as tangible or intangible according to the nature of the assets acquired and apply the classification consistently.

CHANGES IN ACCOUNTING POLICY (OPTIONAL EXEMPTION)

An entity may change its accounting policies for exploration and evaluation expenditures if the change makes the financial statements more relevant and no less reliable to the economic decision-making needs of users, or more reliable and no less relevant to those needs.

IMPAIRMENT

- One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:
  - The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
  - Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
  - Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
  - Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.\
- An entity determines an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment.

DISCLOSURE

An entity discloses information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources.

An entity discloses:

- Its accounting policies for exploration and evaluation expenditures and evaluation assets.
- The amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

Exploration and evaluation assets are disclosed as a separate class of assets in the disclosures required by NZ IAS 16 - *Property, Plant and Equipment* or NZ IAS 38 - *Intangible Assets*.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters are required to comply with all of the provisions in NZ IFRS 6.