
IFRS - 6

Exploration and Evaluation of Mineral Resources

Objective

1. The purpose of this is to specify IFRS financial information relating to exploration and evaluation of mineral resources.
2. Specifically, the IFRS requires:
 - (a) certain improvements in accounting practices for existing disbursements related to the exploration and evaluation;
 - (b) that entities recognize exploration and evaluation assets conducted a check of the deterioration of the value of the same in accordance with the IFRS and assess possible deterioration in accordance with IAS 36 Impairment of Assets;
 - (c) disclosing information to identify and explain the amounts arising in the financial statements of the entity arising from the exploration and evaluation of mineral resources, while helping users of those financial statements to understand the amount, timing and uncertainty associated with future cash flows of exploration and evaluation assets recognized.

Scope

3. An entity shall apply to the IFRS disbursements related to the exploration and evaluation in which incurred.
4. IFRS does not address other aspects of accounting for entities engaged in the exploration and evaluation of mineral resources.
5. An entity shall not apply to IFRS in disbursements incurred:
 - (a) before the exploration and evaluation of mineral resources, such as disbursements in which the entity incurred prior to obtaining a legal right to explore a given area;
 - (b) after which can be demonstrated the technical feasibility and commercial viability of extracting a mineral resource.

Recognition of exploration and evaluation assets

Temporary exemption on paragraphs 11 and 12 of IAS 8

6. In developing its accounting policies, an entity that recognizes exploration and evaluation assets apply paragraph 10 of IAS 8 Accounting policies, changes in accounting estimates and errors.
7. Paragraphs 11 and 12 of IAS 8 sources and establish hierarchy, as well as guidelines that address is obliged to consider when developing an accounting policy for a game, if it did not apply specifically an IFRS. Subject to the provisions of paragraphs 9 and 10 next, the IFRS exempts an entity to implement the above paragraphs of IAS 8 to its accounting policies for the recognition and valuation of assets for exploration and evaluation.

Valuation of exploration and evaluation assets

Ratings in recognition

8. The exploration and evaluation assets are valued by their cost.

Components of the cost of exploration and evaluation assets

9. The entity will establish a policy specifying that disbursements are recognized as exploration and evaluation assets, and implement this policy consistently. In establishing this policy, the entity will consider the extent to which disbursements may be associated with the discovery of mineral resources specific. The following are examples of expenditures that could be included in the initial assessment of the exploration and evaluation assets (the list is not exhaustive):
 - (a) acquisition of exploration rights;
 - (b) surveying, geological, geochemical and geophysical;
 - (c) exploratory drilling;
 - (d) excavations;
 - (e) Sampling and
 - (f) activities related to assessing the technical feasibility and commercial viability of extracting a mineral resource.
10. Disbursements related to the development of mineral resources shall not be recognized as exploration and evaluation assets. In the conceptual framework and IAS 38 Intangible

assets are provided guidelines on the recognition of assets arising from this development.

11. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a recognized entity in which any obligation incurred by dismantling and restoration during a certain period as a result of having carried out activities of exploration and evaluation of mineral resources.

Poll post-recognition

12. After the recognition, the entity will apply the cost model or the model of the revaluation to the exploration and evaluation assets. If we apply the model of the revaluation (either the model contained in IAS 16, Property, plant and equipment or content in IAS 38), will be done in a manner consistent with the classification of such assets (see paragraph 15).

Changes in accounting policies

13. **An entity may change the accounting policies applied to disbursements related to the exploration and evaluation, if the change results in financial statements to be most relevant for the purposes of economic decision-making by users and not decrease their reliability, or if not more reliable and minorities its relevance for decision-making. The entity will judge the relevance and reliability according to the criteria of IAS 8.**
14. To justify changes in accounting policies applied to disbursements related to the exploration and evaluation, the entity will demonstrate that the change approximates its financial statements to the criteria of IAS 8, although the change in question did not specify fully comply with these criteria.

Presentation

Classification of exploration and evaluation assets

15. An entity classifies the exploration and evaluation assets such as materials or intangible, depending on the nature of the assets acquired, and the classification applies uniformly.
16. Some exploration and evaluation assets are treated as intangible (e.g. drilling rights), while others are materials (for example, vehicles and drilling rigs). In extent that

consumed an active material to develop an intangible asset, the amount that reflects that consumption will be part of the cost of an intangible asset. However, the use of an active material to develop an intangible asset does not transform this material in intangible assets.

Reclassification of exploration and evaluation assets

17. An active exploration and evaluation not remain classified as such when the technical reliability and commercial viability of extracting a mineral resource are demonstrable. Prior to the reclassification, will assess the deterioration of exploration and evaluation assets, we must recognize any impairment loss of its value.

Deterioration of the value

Recognition and Measurement

18. **It will be checked deterioration of the value of exploration and evaluation assets when the facts and circumstances suggest that the carrying amount of an asset for exploration and evaluation may exceed its recoverable amount. When this happens, the entity will assess, present and disclose any impairment loss of value resulting in accordance with IAS 36, except as provided in paragraph 21 below.**
19. By identifying if an asset has deteriorated to exploration or evaluation, and only for such assets, apply paragraph 20 of the IFRS instead of paragraphs 8 to 17 of IAS 36. In paragraph 20 uses the term "assets", but is applicable in an equivalent manner to both exploration and evaluation assets as a separate cash-generating unit.
20. One or more of the following facts and circumstances indicate that the institution should check the deterioration of asset values for exploration and evaluation (the list is not exhaustive):
 - (a) The time period during which the institution has the right to explore in a specific area has expired during the exercise, or will do so in the near future, and is not expected to be renewed;
 - (b) have not been budgeted or planned significant expenditures for exploration and subsequent evaluation of mineral resources in that specific area;
 - (c) exploration and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the institution has

decided to discontinue such activities in the same;

(d) There are insufficient data to indicate that while there is likely to be a development in a given area, it is unlikely that the carrying amount of active exploration and evaluation can be fully recovered through the successful development or through its sale. In either case, or in similar cases, the entity will check the deterioration of value in accordance with IAS 36. Any impairment loss is recognized as an expense in accordance with IAS 36.

Determination of detail to which the assets are valued for exploration and evaluation for the purpose of his deteriorating

21. **The entity will establish an accounting policy to distribute the exploration and evaluation assets in cash generating units or groups of cash generating units, with a view to ascertaining whether such assets have suffered deterioration in their value. Each cash-generating unit, or group of units to which they charged an active exploration and evaluation, not exceed a certain segment operating according to IFRS 8 Operating Segments.**
22. The level identified by the entity for the purposes of verifying whether the value of exploration and evaluation assets has deteriorated, may include one or more cash generating units.

Disclosure

23. **The entity shall disclose information to identify and explain the amounts recognized in its financial statements that come from the exploration and evaluation of mineral resources.**
24. To comply with the provisions of paragraph 23, the entity shall disclose:
 - (a) The accounting policies applied to disbursements related to the exploration and evaluation, including the recognition of assets for exploration and evaluation;
 - (b) The amounts of assets, liabilities, income and expenditure and cash flows for exploration activities and investment, arising from the exploration and evaluation of mineral resources.
25. The entity will seek the exploration and evaluation assets as a separate asset class and perform other disclosures required by IAS 16 and IAS 38, depending on how it has

classified assets.

Effective Date

26. The entity shall apply the IFRS for annual periods beginning on or after January 1, 2006. Earlier application is encouraged. If an entity applies the IFRS for a period beginning before January 1, 2006, disclose that fact.

Transitional Provisions

27. If it impracticable to enforce a requirement of paragraph 18 specifically to comparative information that relates to annual periods beginning before January 1, 2006, the entity disclose that fact. In IAS 8 defines the term "unworkable".

Appendix A

Definitions of terms

This appendix is part of IFRS.

Exploration and evaluation assets

Disbursements related to the exploration and evaluation as assets in accordance with the accounting policy of the entity.

Disbursements related to the exploration and evaluation

Disbursements by the entity related to the exploration and evaluation of mineral resources before they can demonstrate the technical feasibility and commercial viability for the extraction of mineral resources.

Exploration and evaluation of mineral resources

The search for mineral resources, including minerals, petroleum, natural gas and similar non-renewable resources, conducted once the entity has obtained legal rights to explore in a given area, as well as determining the reliability of technical and commercial viability of the extraction of mineral resources.