Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

New Zealand Equivalent to International Financial Reporting Standard 6

Exploration for and Evaluation of Mineral Resources (NZ IFRS 6)

Issued April 2005 and incorporates amendments to and including 31 January 2019

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

NZ IFRS 6 incorporates the equivalent IFRS® Standard as issued by the International Accounting Standards Board (IASB).

Tier 1 for-profit entities that comply with NZ IFRS 6 will simultaneously be in compliance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

Tier 2 for-profit entities must comply with all the provisions in NZ IFRS 6.

ISBN 1-877430-15-3

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New Zealand Equivalent to International Financial Reporting Standard 6 *Exploration for and Evaluation of Mineral Resources* (NZ IFRS 6) is set out in paragraphs 1–27 and Appendices A and B. NZ IFRS 6 is based on International Financial Reporting Standard 6 *Exploration for and Evaluation of Mineral Resources* (IFRS 6) (2004) issued by the International Accounting Standards Board (IASB). All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. Definitions of other terms are given in the Glossary. NZ IFRS 6 should be read in the context of its objective and the IASB's Basis for Conclusions on IFRS 6 and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting*. NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any New Zealand additional material is shown with either "NZ" or "RDR" preceding the paragraph number.

New Zealand Equivalent to International Financial Reporting Standard 6

Exploration for and Evaluation of Mineral Resources (NZ IFRS 6)

Objective

1 The objective of this Standard is to specify the financial reporting for the *exploration for and evaluation of mineral resources*.

2 In particular, the Standard requires:

(a) limited improvements to existing accounting practices for *exploration and evaluation expenditures*.

(b) entities that recognise *exploration and evaluation assets* to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with NZ IAS 36 *Impairment of Assets*.

(c) disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognised.

Scope

NZ 2.1 This Standard applies to Tier 1 and Tier 2 for-profit entities.

3 An entity shall apply the Standard to exploration and evaluation expenditures that it incurs.

4 The Standard does not address other aspects of accounting by entities engaged in the exploration for and evaluation of mineral resources.

5 An entity shall not apply the Standard to expenditures incurred:

(a) 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.

(b) after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Recognition of exploration and evaluation assets

Temporary exemption from NZ IAS 8 paragraphs 11 and 12

6 When developing its accounting policies, an entity recognising exploration and evaluation assets shall apply paragraph 10 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

7 Paragraphs 11 and 12 of NZ IAS 8 specify sources of authoritative requirements and guidance that management is required to consider in developing an accounting policy for an item if no NZ IFRS applies specifically to that item. Subject to paragraphs 9 and 10 below, this Standard exempts an entity from applying those paragraphs to its accounting policies for the recognition and measurement of exploration and evaluation assets.

Measurement of exploration and evaluation assets

Measurement at recognition

8 Exploration and evaluation assets shall be measured at cost.

Elements of cost of exploration and evaluation assets

9 An entity shall determine an accounting policy specifying which expenditures are recognised as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources. The following are examples of expenditures that might be included in the initial measurement of exploration and evaluation assets (the list is not exhaustive):

(a) acquisition of rights to explore;

(b) topographical, geological, geochemical and geophysical studies;

(c) exploratory drilling;

(d) trenching;

(e) sampling; and

(f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

10 Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* issued in 2018 (2018 *NZ Conceptual Framework*) and NZ IAS 38 *Intangible Assets* provide guidance on the recognition of assets arising from development.

11 In accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* an entity recognises any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken the exploration for and evaluation of mineral resources.

Measurement after recognition

12 After recognition, an entity shall apply either the cost model or the revaluation model to the exploration and evaluation assets. If the revaluation model is applied (either the model in NZ IAS 16 *Property, Plant and Equipment* or the model in NZ IAS 38) it shall be consistent with the classification of the assets (see paragraph 15).

Changes in accounting policies

13 An entity may change its accounting policies for exploration and evaluation expenditures if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in NZ IAS 8.

14 To justify changing its accounting policies for exploration and evaluation expenditures, an entity shall demonstrate that the change brings its financial statements closer to meeting the criteria in NZ IAS 8, but the change need not achieve full compliance with those criteria.

Presentation

Classification of exploration and evaluation assets

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

16 Some exploration and evaluation assets are treated as intangible (eg drilling rights), whereas others are tangible (eg vehicles and drilling rigs). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

Reclassification of exploration and evaluation assets

17 An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognised, before reclassification.

Impairment

Recognition and measurement

18 Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss in accordance with NZ IAS 36, except as provided by paragraph 21 below.

19 For the purposes of exploration and evaluation assets only, paragraph 20 of this Standard shall be applied rather than paragraphs 8–17 of NZ IAS 36 when identifying an exploration and evaluation asset that may be impaired. Paragraph 20 uses the term ‘assets’ but applies equally to separate exploration and evaluation assets or a cash-generating unit.

20 One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):

(a) 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.

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(c) 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.

(d) sufficient data exist 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.

In any such case, or similar cases, the entity shall perform an impairment test in accordance with NZ IAS 36. Any impairment loss is recognised as an expense in accordance with NZ IAS 36.

Specifying the level at which exploration and evaluation assets are assessed for impairment

21 An entity shall determine 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. Each cash-generating unit or group of units to which an exploration and evaluation asset is allocated shall not be larger than an operating segment determined in accordance with NZ IFRS 8 *Operating Segments*.

22 The level identified by the entity for the purposes of testing exploration and evaluation assets for impairment may comprise one or more cash-generating units.

Disclosure

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

24 To comply with paragraph 23, an entity shall disclose:

(a) its accounting policies for exploration and evaluation expenditures including the recognition of exploration and evaluation assets.

(b) the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

25 An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either NZ IAS 16 or NZ IAS 38 consistent with how the assets are classified.

Effective date

26 This Standard becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. For entities which elect to comply with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005 and before 1 January 2007, this Standard becomes operative for annual accounting periods beginning on or after 1 January 2006. Early application of this Standard is encouraged. If an entity applies the Standard for a period beginning before 1 January 2006, it shall disclose that fact.

NZ 26.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

26A *Amendments to References to the Conceptual Framework in NZ IFRS*, issued in 2018, amended paragraph 10. An entity shall apply that amendment for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in NZ IFRS*. An entity shall apply the amendment to NZ IFRS 6 retrospectively in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to NZ IFRS 6 by reference to paragraphs 23–28, 50–53 and 54F of NZ IAS 8.

Transitional provisions

27 If it is impracticable to apply a particular requirement of paragraph 18 to comparative information that relates to annual periods beginning before 1 January 2006, an entity shall disclose that fact. NZ IAS 8 explains the term 'impracticable'.

Appendix A
Defined terms

This appendix is an integral part of the Standard.

exploration and evaluation assets	**Exploration and evaluation expenditures** recognised as assets in accordance with the entity's accounting policy.
exploration and evaluation expenditures	Expenditures incurred by an entity in connection with the **exploration for and evaluation of mineral resources** before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.
exploration for and evaluation of mineral resources	The search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Appendix B
Amendments to other Standards

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2006. If an entity applies this IFRS for an earlier period, these amendments shall be applied for that earlier period.

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The amendments contained in this appendix when this IFRS was issued in 2004 have been incorporated into the relevant pronouncements.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*

This table lists the pronouncements establishing and substantially amending NZ IFRS 6. The table is based on amendments approved as at 31 January 2019.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*	April 2005	1 Jan 2005 Early application encouraged	1 Jan 2007
Amendments to IFRS 6 and NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*	Oct 2005	1 Jan 2006 Early application encouraged	1 Jan 2007
NZ IFRS 8 *Operating Segments*	Dec 2006	Early adoption permitted	1 Jan 2009
Framework: Tier 1 and Tier 2 For-profit Entities[1]	Nov 2012	Early application permitted	1 Dec 2012
Amendments to References to the Conceptual Framework in NZ IFRS	May 2018	Early application permitted	1 Jan 2020

Table of Amended Paragraphs in NZ IFRS 6		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 10	Amended	*Amendments to References to the Conceptual Framework in NZ IFRS* [May 2018]
Paragraph 21	Amended	NZ IFRS 8 [Dec 2006]
Paragraph NZ 26.1	Added	*Framework: Tier 1 and Tier 2 For-profit Entities* [Nov 2012]
Paragraph 26A	Added	*Amendments to References to the Conceptual Framework in NZ IFRS* [May 2018]

[1] This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.