



International Accounting Standards Board®

# Press Release

FOR IMMEDIATE RELEASE

9 December 2004

## **IASB issues Standard on the Exploration for and Evaluation of Mineral Resources**

The International Accounting Standards Board (IASB) today issued International Financial Reporting Standard 6 *Exploration for and Evaluation of Mineral Resources* (IFRS 6). The publication of this IFRS provides, for the first time, guidance on accounting for exploration and evaluation expenditures, including the recognition of exploration and evaluation assets, and completes the first step in the IASB's project to achieve the convergence of widely varying accounting practices for extractive activities around the world.

IFRS 6 is effective for annual periods beginning on or after 1 January 2006. However, earlier application is encouraged, and if an entity adopts IFRS 6 before 1 January 2006, transitional relief is available for some comparative disclosures.

In developing IFRS 6, the IASB balanced the urgent need for global accounting standards for extractive activities (mining and oil and gas) generally with the recognition that developing a global consensus on a rigorous and comprehensive approach would require extensive consultation. That consultation could not be completed in time to meet the starting date of 2005 set by a number of jurisdictions for the application of international standards. In that light, IFRS 6 completes only the initial phase of the IASB's project on extractive activities. It seeks to increase transparency by requiring improved disclosures for exploration and evaluation assets. In addition, the IASB has made modest improvements to recognition and measurement practices, especially with respect to testing exploration and evaluation assets for impairment, without requiring extensive changes that themselves might need to be changed once the comprehensive review of accounting for extractive activities has been completed.

The subsequent phase has begun. In April 2004 the Board approved a research project to be undertaken by staff from the national standard-setters in Australia, Canada, Norway and South Africa that will address accounting for extractive activities generally. The project team has undertaken a detailed examination of the comments received on the Issues Paper *Extractive Industries* published by the IASB's predecessor organisation, IASC, in November

2000, and is developing its research priorities. In particular, the project team intends to consider all issues associated with accounting for upstream extractive activities. The team is assisted by an advisory panel, which includes members from industry (oil and gas and mining sectors) and accounting firms, analysts and other users of financial statements; auditors; and securities regulators.

Introducing IFRS 6, Sir David Tweedie, IASB Chairman, said:

Developing a widely respected accounting standard that addresses the many complex practical and conceptual problems in the accounting for extractive activities is a concern for the IASB. However, the Board could not consider and reach an informed conclusion on all issues and viewpoints and complete its work by the 2005 deadline for the introduction of IFRSs in many jurisdictions. At the urging of some of our partner national standard-setters and other interested parties, the IASB has developed IFRS 6 to provide some initial guidance on accounting for some extractive activities without imposing significant costs on those industries in advance of completing the larger project. Although the requirements are not mandatory until 2006, entities wishing to adopt IFRS 6 early are encouraged to do so, and the standard contains special transitional provisions for that purpose.

The primary means of publishing IFRSs is by electronic format through the IASB's subscriber Website. Subscribers are able to access the standard published today through "online services". Those wishing to subscribe should contact:

IASCF Publications Department, 30 Cannon Street, London EC4M 6XH, United Kingdom.  
Tel: +44 (0)20 7332 2730, Fax: +44 (0)20 7332 2749,  
email: [publications@iasb.org](mailto:publications@iasb.org) Web: [www.iasb.org](http://www.iasb.org).

Printed copies of IFRS 6 *Exploration for and Evaluation of Mineral Resources* (ISBN 1-904230-74-1) are available at £15 each including postage, from IASCF Publications Department (order copies online through the IASCF shop [www.iasb.org](http://www.iasb.org)).

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***NOTES TO EDITORS*****Summary of IFRS 6**

## 1 The IFRS:

- (a) permits an entity to develop an accounting policy for exploration and evaluation assets without specifically considering the requirements of paragraphs 11 and 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, an entity adopting IFRS 6 may continue to use the accounting policies applied immediately before adopting the IFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies.
- (b) requires entities recognising exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount.
- (c) varies the recognition of impairment from that in IAS 36 *Impairment of Assets* but measures the impairment in accordance with that Standard once the impairment is identified.
- (d) requires disclosure of information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources, including
  - (i) its accounting policies for exploration and evaluation expenditures including the recognition of exploration and evaluation assets.

- (ii) the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.
- 2 IFRS 6 is effective for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity adopts IFRS 6 before 1 January 2006, transitional relief is available for some comparative disclosures.
  - 3 The IASB is publishing IFRS 6 as two separate booklets. The first contains the mandatory requirements of the IFRS and the second contains the IASB's Basis for Conclusions, which sets out the IASB's reasoning behind the requirements in the IFRS.

### **About the IASB**

The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

A Deloitte & Touche study indicates that 92 countries will either require or permit the use of IFRSs for publicly traded companies beginning in 2005. The 92 countries include Australia, the member states of the European Union, and Russia. At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In September 2002 the IASB and the US standard-setter, the Financial Accounting Standards Board, reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards. Recently, the IASB and the Accounting Standards Board of Japan agreed to initiate discussions to eliminate differences between IFRSs and Japanese standards