Final Pronouncement
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IPSAS®

International Public Sector Accounting Standard ®

IPSAS 50, *Exploration for and Evaluation of Mineral Resources*

IPSASB International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting and sustainability reporting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances and sustainable development.

In meeting this objective, the IPSASB sets International Public Sector Accounting Standards™ (IPSAS®), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) and Recommended Practice Guidelines™ (RPG™) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS Accounting Standards relate to the general purpose financial statements (financial statements) and are authoritative. IPSASB SRS Standards relate to sustainability disclosures and are authoritative. RPG Guidelines are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS Accounting Standards and IPSASB SRS Standards, RPG Guidelines do not establish requirements. IPSASB SRS Standards and RPG Guidelines do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

IPSAS 50, EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

CONTENTS

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 recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26, *Impairment of Cash-Generating 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 recognized.

Scope

3. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to exploration and evaluation expenditures that it incurs.

4. This 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 this 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.

Definitions

6. **The following terms are used in this Standard with the meanings specified:**

   <u>Exploration and evaluation assets</u> means exploration and evaluation expenditures recognized as assets in accordance with the entity's accounting policy.

   <u>Exploration and evaluation expenditures</u> means 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.

   <u>Exploration for and evaluation of mineral resources</u> means 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.

Any other terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards and are reproduced in the *Glossary of Defined Terms* published separately.

Recognition of Exploration and Evaluation Assets

7. **When developing its accounting policies, an entity recognizing exploration and evaluation assets shall apply paragraph 12 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.**

Exemption from IPSAS 3 Paragraphs 14 and 15

8. Paragraphs 14 and 15 of IPSAS 3 specify sources of authoritative requirements and guidance that management is required to consider in developing an accounting policy for an item if no IPSAS applies specifically to that item. Subject to paragraphs 10 and 11 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

Initial Measurement

9. **Exploration and evaluation assets shall be measured at cost.**

Elements of Cost of Exploration and Evaluation Assets

10. An entity shall determine an accounting policy specifying which expenditures are recognized 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.

11. Expenditures related to the development of mineral resources shall not be recognized as exploration and evaluation assets. *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and IPSAS 31, *Intangible Assets* provide guidance on the recognition of assets arising from development.

12. In accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* an entity recognizes 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.

Subsequent Measurement

13. An entity shall measure the exploration and evaluation assets at either historical cost or fair value . If fair value is used (either according to the model in IPSAS 45, *Property, Plant, and Equipment*, or according to the model in IPSAS 31) it shall be consistent with the classification of the assets (see paragraph 16).

Changes in Accounting Policies

14. **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 IPSAS 3.**

15. 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 IPSAS 3, but the change need not achieve full compliance with those criteria.

Presentation

Classification of Exploration and Evaluation Assets

16. 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.

17. Some exploration and evaluation assets are treated as intangible (e.g., drilling rights), whereas others are tangible (e.g., 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

18. 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 recognized, before reclassification.

Impairment

Recognition and Measurement

19. **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 IPSAS 26, except as provided by paragraph 22 below.**

20. For the purposes of exploration and evaluation assets only, paragraph 21 of this Standard shall be applied rather than paragraphs 25–29 of IPSAS 26 when identifying an exploration and evaluation asset that may be impaired. Paragraph 21 uses the term ‘assets’ but applies equally to separate

exploration and evaluation assets or a cash-generating unit, in the case of cash-generating assets per IPSAS 26.

21. 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 IPSAS 26. Any impairment loss is recognized as an expense in accordance with IPSAS 26.

Specifying the Level at which Exploration and Evaluation Assets are Assessed for Impairment

22. 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 a segment determined in accordance with IPSAS 18, *Segment Reporting*.

23. 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

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

25. To comply with paragraph 24, 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, revenue and expense, and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

26. An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either IPSAS 45 or IPSAS 31 consistent with how the assets are classified.

Effective Date and Transition

Effective Date

27. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies this Standard for a period beginning before January 1, 2027, it shall disclose that fact.**

28. When an entity adopts the accrual basis IPSAS of accounting, as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards* (IPSASs), for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.

Transition

29. If it is impracticable to apply a particular requirement of paragraph 19 to comparative information that relates to annual periods beginning before January 1, 2027, an entity shall disclose that fact. IPSAS 3 explains the term 'impracticable'.

Appendix A

Amendments to Other IPSAS

Amendments to IPSAS 31, *Intangible Assets*

Paragraph 3 is amended, and paragraph 132L is added. New text is underlined, and deleted text is struck through.

3. This Standard does not apply to:

…

(c) The recognition and measurement of exploration and evaluation assets (see IPSAS 50, *Exploration for and Evaluation of Mineral Resources* ~~the relevant international or national accounting standard dealing with exploration for, and evaluation of, mineral resources~~).

…

Effective Date

…

132P. **Paragraph 3 was amended by IPSAS 50, *Exploration for and Evaluation of Mineral Resources*, issued in November 2024. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2027, it shall disclose that fact.**

…

Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*

Paragraphs 62D, 62E, and 154P are added. New text is underlined, and deleted text is struck through.

…

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSAS during the Period of Transition

…

IPSAS 50, *Exploration for and Evaluation of Mineral Resources*

62D. **Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three-year transitional relief period to not recognize assets, it is not required to apply the requirements related to exploration and evaluation assets until the exemption that provided the relief has expired, and/or when the relevant assets are recognized in accordance with the applicable IPSAS (whichever is earlier).**

62E. This IPSAS allows a first-time adopter a period of up to three years from the date of adoption of IPSAS to recognize assets in accordance with IPSAS 45. During this period, a first-time adopter may need to consider the recognition requirements of this IPSAS at the same time as considering the recognition of exploration and evaluation assets in this IPSAS. Where a first-time adopter takes advantage of the exemption in accordance with IPSAS 45, it is not required to recognize exploration and evaluation assets until the exemptions that provided relief have expired, and/or when the relevant assets are recognized in accordance with the applicable IPSAS (whichever is earlier).

…

Effective Date

…

154P. **Paragraphs 62F and 62G were added by IPSAS 50, *Exploration for and Evaluation of Mineral Resources*, issued in November 2024. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2027, it shall disclose that fact.**

…

Amendments to IPSAS 45, *Property, Plant, and Equipment*

Paragraph 3 is amended, and paragraph 85B is added. New text is underlined, and deleted text is struck through.

3. This Standard does not apply to:

…

(d) The recognition and measurement of exploration and evaluation assets (see IPSAS 50, *Exploration for and Evaluation of Mineral Resources* ~~the relevant international or national accounting standard dealing with measurement of exploration and evaluation assets~~).

…

Effective Date

…

85B. **Paragraph 3 was amended by IPSAS 50, *Exploration for and Evaluation of Mineral Resources*, issued in November 2024. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2027, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 50.

Objective (see paragraphs 1 and 2)

BC1. This Basis of Conclusions summarizes the IPSASB's considerations in reaching the conclusions on IPSAS 50, *Exploration for and Evaluation of Mineral Resources*. This Standard is based on IFRS 6 *Exploration for and Evaluation of Mineral Resources* published by the IASB on December 31, 2004, including amendments up to March 2018. This Basis for Conclusions outlines only those areas where IPSAS 50 departs from the requirements of IFRS 6.

Background

BC2. IFRS 6 was issued by the IASB in December 2004. It allows a policy choice when accounting for expenditure during the exploration phase of a mine. IFRS 6 also prescribes the financial reporting if the entity chooses an accounting policy that recognizes and measures the exploration and evaluation expenditure as an asset. Prior to the issuance of this Standard there were no equivalent requirements in IPSAS for the financial reporting for the exploration for and evaluation of mineral resources.

BC3. The IPSASB published the Consultation Paper, *Natural Resources*, in May 2022, which proposed the development of guidance aligned with IFRS 6. Respondents to the Consultation Paper agreed with the IPSASB's proposal and the IPSASB decided that a separate Standard aligned with IFRS 6 should be developed.

Exploration for and Evaluation of Mineral Resources in the Public Sector

BC4. An entity will typically need to conduct exploration and evaluation activities to determine if a site should be developed. Before this Standard, there was no specific guidance on exploration and evaluation activities in IPSAS.

BC5. The IPSASB determined that guidance on exploration and evaluation costs should be aligned with IFRS 6, applicable to exploration and evaluation activities of a commercial nature, and not of a service delivery nature. In reaching this conclusion, the IPSASB determined that a number of resource-rich jurisdictions had entered into production sharing or co-production agreements with private companies, rather than the traditional mining licensing or royalty agreements. The IPSASB found that from the public sector entity's perspective, such agreements may fall within the scope of IPSAS 37, *Joint Arrangements*, and it is possible for the resulting joint operation or joint venture to incur exploration and evaluation costs.

BC6. The IPSASB noted that an entity may explore for mineral resources due to other rights, e.g., sovereign rights, without needing a license (a legal right). The IPSASB determined that, in such instances, the exploration and evaluation expenditures are within the scope of this Standard.

BC7. Respondents to the IPSASB's Consultation Paper, *Natural Resources* generally agreed with the IPSASB's approach to develop the Standard aligned with IFRS 6.

BC8. The IPSASB did not identify any public sector specific reasons to depart from principles in IFRS 6 in the development of this Standard, except for terminology and other IPSASB-specific formatting and consistency amendments. The IPSASB decided to retain the terminology of "commercial viability" and "impairment of cash-generating assets" used in IFRS 6, because the Standard is only applicable to exploration and evaluation activities of a commercial nature, and it is considered that this would be a relevant to public sector entities who use the Standard.

BC9. The IPSASB noted the view of some respondents to Exposure Draft 86 that the Standard should provide guidance to recognize, as intangible assets, the State's power to issue exploration rights to entities. The IPSASB noted that accounting by the issuer of the exploration rights is not in the scope of this Standard and noted, furthermore, that powers and rights conferred by legislation, a constitution, or by equivalent means, such as mining rights managed by the state itself, are also excluded from the scope of IPSAS 31, *Intangible Assets*.

Comparison with the Conceptual Framework

BC10. The IPSASB noted that where an entity chooses an accounting policy that recognizes and measures the exploration and evaluation expenditure as assets, that policy may not be consistent with the definition of an asset in the Conceptual Framework. Recent outreach by the IASB noted that private sector constituents generally agreed that IFRS 6 resulted in information that was useful to both preparers and users of IFRS financial statements. The IPSASB noted that guidance which is aligned with IFRS 6 should also result in useful information for preparers and users in the public sector and concluded that the exemption from applying paragraphs 14 and 15 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provided for in paragraph 8 of the Standard is acceptable.

BC11. The IPSASB also noted that the IASB concluded its project on Extractive Activities in September 2023. No further changes to the accounting and disclosure requirements in IFRS 6 will be made, and the temporary nature of the exemption from paragraphs 11 and 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates, and Errors* will be removed as part of the IASB's next annual improvements cycle. The IPSASB agreed to align to the IASB's decision to remove the temporary nature of the exemption, which supports the conclusion on the usefulness of information per BC8.

Subsequent Measurement

BC12. The IPSASB agreed to align with IFRS 6 and the application of the Standard to operations of a commercial nature. Therefore, exploration and evaluation assets are held for their financial capacity (i.e., commercial purpose), to which the fair value measurement basis applies.

Reversal of impairment losses

BC13. The IPSASB noted that for the reversal of impairment losses, entities should apply the specified requirements set out in paragraphs 99–105 of IPSAS 26, *Impairment of Cash-Generating Assets,* because these requirements apply to all entities for all assets (excluding goodwill and equity investments classified as available for sale).

Comparison with IFRS 6

IPSAS 50, *Exploration for and Evaluation of Mineral Resources* is drawn from IFRS 6 *Exploration for and Evaluation of Mineral Resources*, including amendments up to March 2018.

The main differences between IPSAS 50 and IFRS 6 are as follows:

- IPSAS 50 uses different terminology from IFRS 6. For example, IPSAS 50 uses the terms “historical cost”, and “impairment of cash-generating assets”, while IFRS 6 uses the terms “cost model”, “revaluation model”, and “impairment of assets”.

Comparison with GFS

In developing IPSAS 50, *Exploration for and Evaluation of Mineral Resources,* the IPSASB considered Government Finance Statistics (GFS) reporting guidelines.

Key similarities and differences with GFS are as follows:

- When an entity elects to capitalize exploration and evaluation expenditure, both IPSAS 50 and GFS require an entity to account for the expenditure as exploration and evaluation assets.
- IPSAS 50 requires the classification of exploration and evaluation assets as either tangible or intangible assets. GFS requires their classification as a type of intellectual property products.
- On initial recognition, the elements of cost in IPSAS 50 do not include a return to fixed capital used in the exploration and evaluation activity, while GFS does include a return to fixed capital.
- On subsequent measurement, IPSAS 50 allows the historical cost or current value model. In GFS, assets should be measured at market values, so the same valuation can result if the market approach is used as the measurement technique.
- On subsequent measurement, IPSAS 50 requires exploration and evaluation assets to be assessed for impairment and impaired when the carrying amount exceeds the recoverable amount. In GFS, consumption of the asset is the decline in the current value of the asset.
- IPSAS 50 includes disclosure requirements that are not present in GFS.

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