

## STAFF PAPER

September 2022

## IASB Meeting

Project	Extractive Activities	
Paper topic	Cover paper	
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and reported in the IASB<sup>®</sup> *Update*.

**Introduction and purpose of meeting**

1. At its September 2021 meeting, the International Accounting Standards Board (IASB) decided that the scope and objectives of its research project *Extractive Activities* should be to explore two aspects of IFRS 6 *Exploration for and Evaluation of Mineral Resources*:
  - (a) developing requirements or guidance to improve the disclosures about an entity's exploration and evaluation (E&E) expenditure and activities to provide more useful information to primary users of financial statements (users); and
  - (b) removing the temporary status of IFRS 6.
2. The Appendix to this paper summarises the background to this project.
3. At its [March 2022 meeting](#) the IASB agreed a project plan. This plan outlined the research the IASB would need to perform to understand:
  - (a) users' information needs;
  - (b) why users do not get information they need;
  - (c) the costs of requiring entities to provide information that users need; and

- (d) whether the comprehensive review of accounting for extractive activities as envisaged by the IASB in 2004 has been completed and, consequently, whether the temporary status of IFRS 6 can be removed.
4. The project plan set out three phases to explore improvements to disclosure objectives and requirements in IFRS 6 (see paragraph 1(a)):
- (a) Phase I—desktop review of disclosure-related feedback received since 2018. This phase includes reviewing (a) suggestions identified from prior research; (b) relevant academic literature; and (c) a sample of entities’ annual filings to understand what information entities provide about E&E expenditure and activities.
  - (b) Phase II—limited outreach with users, preparers and auditors.
  - (c) Phase III—limited outreach with national standard-setters.
5. The purpose of this meeting is to report the results of Phase I and update the IASB on what we plan to explore further in Phases II and III of this project. We are not asking the IASB for any decisions at this meeting. Instead, we would like to ask IASB members whether they have any comments on our findings from Phase I and our plan to explore the suggestions in Agenda Paper 19C in Phases II and III (our specific question for IASB members is after paragraph 65 of Agenda Paper 19C).

### **Papers for this meeting**

6. We will discuss the following papers:
- (a) Agenda Paper 19A: Disclosure feedback summary—summarises our review of:
    - (i) disclosure-related feedback from research conducted between 2018-2021 with stakeholders (see paragraphs 7–13 of [September 2021 Agenda Paper 19](#)).
    - (ii) relevant academic literature.
    - (iii) relevant jurisdictional requirements and other proposals for providing information about E&E expenditure and activities. For example, in some countries local Generally Accepted

Accounting Practices ('GAAP') have additional disclosure requirements to those required by IFRS 6.

- (b) Agenda Paper 19B: Annual filings review—summarises our review of a sample of entities' annual filings to understand what information entities provide about E&E expenditure and activities.
- (c) Agenda Paper 19C: Suggestions for further research—sets out our analysis of the findings in Agenda Papers 19A and 19B and provides our thoughts on aspects of information about E&E expenditure and activities to explore further in Phases II and III.

### **Next steps**

- 7. Subject to comments from IASB members at this meeting, we intend to proceed with Phases II and III of the project which involves exploring the suggestions in Agenda Paper 19C further. Agenda Paper 19C outlines the next steps in more detail.
- 8. Additionally, as reported in [March 2022 Agenda Paper 19](#), we expect to complete work on the removal of the temporary status of IFRS 6 concurrently with the work to improve the disclosure objectives and requirements of IFRS 6.

## Appendix—Background

- A1. IFRS 6 was issued as an interim accounting standard in 2004, before the IASB completed a comprehensive review of accounting for extractive activities, to help entities transition to IFRS Accounting Standards. IFRS 6 provides an entity with a temporary exemption from applying some paragraphs of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* when developing its accounting policies for the recognition and measurement of E&E assets. This exemption helped limit the need for entities to change their accounting policies for E&E expenditure when first applying IFRS Accounting Standards but consequently has allowed the diversity in accounting for E&E expenditure to continue.
- A2. In April 2010, the IASB published the Discussion Paper *Extractive Activities* which proposed to address financial reporting issues associated with exploring for and finding minerals, oil and natural gas deposits, and developing and extracting those deposits. The IASB received 141 comment letters from a wide range of stakeholders. The comment letter analysis was presented to the IASB in October 2010 (see [October 2010 Agenda Paper 7A](#)).
- A3. Following feedback from the 2015 Agenda Consultation, the IASB decided to add a new research project on extractive activities to the research pipeline. This research project was activated in 2018 with the aim of gathering evidence to help the IASB decide whether to develop proposals that would amend or replace IFRS 6.
- A4. We performed research, including outreach with a wide range of stakeholders from many jurisdictions. Our research indicated:
- (a) there is diversity in accounting for E&E expenditure, however users have adapted to the diversity. For example, most users responding to a survey said they did not find the diversity to be a very significant problem.
  - (b) disclosure requirements of IFRS 6 might be insufficient to meet users' needs.
- A5. In September 2021 (see [September 2021 Agenda Paper 19A](#)), the IASB decided the project's scope and objectives (see paragraph 1 of this paper for further details). In reaching this decision, the IASB decided not to develop requirements for the recognition and measurement of E&E expenditure. The IASB decided it lacked

sufficient evidence to suggest the benefits of reduced diversity in accounting for E&E expenditure would outweigh the costs of standard-setting for that matter.

A6. The IASB also considered but decided not to explore:

- (a) developing requirements or guidance for use and disclosure of reserve and resource information in financial statements; and
- (b) matters in applying IFRS Accounting Standards to extractive activities outside the scope of IFRS 6.