

STAFF PAPER

September 2019

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 (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Objective

1. The objective of this meeting is to update the Board about:
 - (a) the potential effects, if any, on the project team's analysis and proposals in the 2010 *Extractive Activities* Discussion Paper (Discussion Paper) in light of:
 - (i) the Standards, amendments and other Board documents listed in paragraph 5; and
 - (ii) changes to the systems and initiatives listed in paragraph 6; and
 - (b) the next steps for the project.
2. We are not asking the Board to make any decisions at this meeting.

Background

3. The Discussion Paper, published in April 2010, addressed financial reporting issues associated with exploring for and finding minerals, oil and natural gas deposits, developing and extracting those deposits and extracting the minerals, oil and natural gas.

4. The Board received 141 comment letters from a wide range of stakeholders. The comment letter analysis was tabled at the October 2010 Board meeting¹.
5. Since publishing of the Discussion Paper, the Board has amended and issued several Standards and other documents:
 - (a) IFRS 13 *Fair Value Measurement*—issued in May 2011;
 - (b) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*—issued in October 2011;
 - (c) IAS 36 *Impairment of Assets*—amended in May 2013 by *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36). The amendments require the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal, and the disclosure of additional information about that fair value measurement;
 - (d) IAS 16 *Property, Plant and Equipment*—amended in May 2014 to prohibit the use of a revenue-based depreciation method;
 - (e) IAS 38 *Intangible Assets*—amended in May 2014 to clarify when the use of a revenue-based amortisation method is appropriate;
 - (f) IFRS 15 *Revenue from Contracts with Customers*—issued in May 2014;
 - (g) IAS 1 *Presentation of Financial Statements*—amended in December 2014 by *Disclosure Initiative* (Amendments to IAS 1), which addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements;
 - (h) IFRS 16 *Leases*—issued in January 2016; and
 - (i) *Conceptual Framework for Financial Reporting*—issued March 2018.

¹ See [October 2010 Agenda Paper 7A](#).

6. These Standards and other documents could affect the issues identified and conclusions in the Discussion Paper. In addition, the Discussion Paper also considered some other topics which could be affected by any relevant developments or changes since the Discussion Paper was issued in 2010. These include changes, if any, to:
 - (a) reserve and resource classification systems which were considered as part of the project team’s analysis and proposals; and
 - (b) the ‘Publish What You Pay’ initiative considered as part of the project team’s analysis only.
7. Consequently, the financial reporting issues raised, and project proposals explained, in the Discussion Paper may no longer be relevant.
8. *Agenda Papers 19A–F* for this meeting provide an overview of how changes to the IFRS Standards and other documents, and other developments, may affect the issues and conclusions in the Discussion Paper.
9. As part of determining whether the analysis and proposals in the Discussion Paper remain relevant, staff have performed outreach with a range of stakeholders including the National Standard-setters which helped to develop the Discussion Paper, preparers, investors and analysts, and bodies governing some reserve and resource classification systems. Where relevant, stakeholder feedback has been included and explained in *Agenda Papers 19A–F*.

Project next steps

10. Staff note that in 2018 feedback was requested from the National Standard-setters whose staff helped to develop the Discussion Paper (Australia, Norway, Canada and South Africa)². There are many other jurisdictions which also have significant extractive industries, and which apply IFRS Standards, some of which began applying IFRS Standards after 2010.

² See [March 2019 Agenda Paper 19](#)

11. Furthermore, while staff have obtained feedback from a range of preparers which operate within the extractives industry, we have received limited feedback from users of financial statements. Engagement with the National Standard-setters in these other jurisdictions may also help to increase the feedback received from users of financial statements.
12. Consequently, staff plan to perform additional outreach with other jurisdictions and stakeholders which will contribute to providing the Board with a more complete analysis on extractive activities at a future Board meeting in early 2020. As part of this outreach, the staff will be taking part in a panel discussion on extractive activities at the International Forum of Accounting Standard Setters (IFASS) in October.
13. Staff will hold education sessions in the first half of 2020 to provide the Board with further explanation of the key features of extractive activities (exploration, evaluation, development, production and decommissioning) along with the main accounting issues that are associated with these key features. The Board will then be asked to decide on the scope of the Extractive Activities research project.

14. The table below summarises the topics in each section of the Discussion Paper and references to staff analysis performed where relevant.

Discussion Paper topic	Agenda Paper
<i>Chapter 1 – Scope and approach</i>	
Identifying those extractive activities which may not be appropriately captured by the existing suite of Standards and therefore should be accounted for by an extractive activities IFRS	<i>Agenda Paper 19A</i>
The need for a single accounting and disclosure model that applies to extractive activities in both the minerals industry and the oil and gas industry	<i>Agenda Paper 19A</i>
<i>Chapter 2 – Definitions of reserves and resources</i>	
The need for an extractive activities IFRS to include a definition of what is meant by the terms ‘resource’ and ‘reserve’	<i>Agenda Paper 19B</i>
Defining the terms ‘resource’ and ‘reserve’ for the purpose of financial reporting	<i>Agenda Paper 19B</i>
<i>Chapter 3 – Asset recognition</i>	
Minerals or oil and gas asset recognition model	<i>Agenda Paper 19C</i>
Unit of account	<i>Agenda Paper 19C</i>
<i>Chapter 4 – Asset measurement</i>	
Minerals or oil and gas asset measurement model	<i>Agenda Paper 19D</i>
Testing exploration properties for impairment	<i>Agenda Paper 19D</i>
<i>Chapter 5 – Disclosure</i>	
Disclosure objectives	<i>Agenda Paper 19E</i>
Specific disclosure proposals	<i>Agenda Paper 19E</i>

Discussion Paper topic	Agenda Paper
<i>Chapter 6 – Publish what you pay proposals</i>	
The need for an extractive activities IFRS to include requirement to disclose payments made to governments	<i>Agenda Paper 19F</i>

15. There are no questions for the Board in any of the Agenda Papers, but the staff would welcome any comments from Board members on the outreach performed to date and the feedback received, and on the project next steps.