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**International
Accounting Standards
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.
These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

INFORMATION FOR OBSERVERS

Board Meeting: 22 June 2007, London

Project: Extractive Activities research project

Subject: Education session – status report on review of convergence opportunities between minerals and oil & gas reserve and resource definitions (Agenda Paper 13)

Purpose

1. The purpose of this education session is to provide the Board with an update on the progress of a review that is considering the potential for increased alignment between the minerals industry's definitions of reserves and resources and the oil & gas industry's definitions of reserves and resources. The review is being undertaken by the SPE/CRIRSCO convergence team – which is an industry working group comprising members of the Society of Petroleum Engineers Oil and Gas Reserves Committee (SPE OGRC) and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO).
2. No decisions are expected for this session.

Session outline

3. This education session will be led by John Etherington from the SPE Oil and Gas Reserves Committee. John is a member of the SPE/CRIRSCO convergence team and is also Chairman of the SPE OGRC UNFC_IASB Interface Subcommittee.
4. The session will primarily comprise a discussion comparing the SPE and CRIRSCO classification systems and identifying the areas where the SPE/CRIRSCO convergence team has identified that similarities exist in each system. The session will also discuss approaches that may be used to promote a greater understanding of minerals and oil & gas reserve and resource definitions.
5. To support the discussion, agenda paper 13A presents the most recent report received from the SPE/CRIRSCO convergence team on the progress of its review.

Next steps

6. There will be a brief meeting between some members of the research project team, SPE and CRIRSCO at the AAPG/SPE Multidisciplinary Conference on Oil and Gas Reserves and Resources to be held in Washington, DC USA on 24-26 June 2007.
7. Later in the year, it is expected that the SPE/CRIRSCO convergence team will have finalised the development of a set of “mapping tools” that can assist in bridging the understanding of the reserve and resource classifications in the minerals industry and oil & gas industry. The research project team will then consider the suitability of using the mapping tools in the future development of an IFRS relating to the financial reporting of minerals and oil & gas reserves and resources. Representatives from the International Organization of Securities Commissions (IOSCO) and the United Nations Economic Commission for Europe’s Committee on Sustainable Energy will be involved in these discussions. In addition, the research project team will consult with its Advisory Panel on the suitability of these mapping tools for use in financial reporting.
8. Following the completion of this consultation process, the research project team will discuss with the Board the findings from the SPE/CRIRSCO review and present its assessment of the suitability of the mapping tools for financial reporting purposes. This Board discussion will assist the research project team in drafting the approaches

available for defining reserves and resources that will be presented in the research project's discussion paper.

History of the SPE/CRIRSCO convergence review

9. The Board has previously held education sessions on the definitions of minerals and oil & gas reserves and resources in April 2005 and July 2005.
10. In July 2005, at the research project's second education session, the Board considered comparisons between:
 - (a) the major minerals and oil & gas industry definitions of reserves and resources;
 - (b) those industry definitions and the SEC's minerals and oil & gas definitions; and
 - (c) those definitions with some key accounting principles.

Differences between the definitions that were identified included differences in specificity, methodologies (e.g. economic assumptions, confidence levels), language, and the scope of the definitions. Although some of the differences identified appear to be a consequence of the physical differences between mineral and oil & gas deposits, other differences seem attributable to the fact that the definitions were developed and updated independently of each other in each industry.

11. The July 2005 education session also included a discussion on some of the possible approaches for defining reserves and resources for financial reporting purposes. At that session, Board members tentatively indicated support for exploring the use of a generic definition of 'resources' for recognition purposes (which may be on either a historical cost or a fair value basis) that encompasses minerals and oil & gas reserves and resources. Under this approach, disclosures supporting the recognition and measurement of 'resources' (as generically defined) would be based on or be similar to existing reserves and resources definitions used in the industries. Board members also indicated to the minerals and oil & gas industry representatives present that the industries should consider converging elements of their definitions that perhaps need not be different between the industries (e.g. price and economic assumptions used to determine whether a deposit is economic, the degree of confidence associated with different categories of reserves and resources). Achieving convergence between the

definitions would be expected to be beneficial to the development of an IFRS that applies to mineral and oil & gas reserves and resources.

12. Following a written request from the IASB Chairman, the minerals and oil & gas industries – through the SPE OGRC and CRIRSCO – have agreed to review their definitions of reserves and resources to identify opportunities for refining the industry-based definitions to potentially improve their suitability for application in financial reporting as well as remaining suitable for other industry-based uses. These refinements may be in the form of elements of the definitions converging or alternatively involve the “mapping” of one set of definitions to the other set. The project team together with representatives from the IOSCO (including the SEC) and the United Nations Economic Commission for Europe’s Committee on Sustainable Energy are participating in this review as observers.

Background on CRIRSCO and SPE

- 13-39.[These paragraphs are not included in Observer Notes. Background on CRIRSCO and SPE can be found on the following websites: <http://www.crirSCO.com/welcome.asp> and http://www.spe.org/spe-app/spe/industry/reserves/OGR_comm_activities.htm]