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## IASB<sup>®</sup> meeting

Date	<b>July 2023</b>
Project	<b>Extractive Activities</b>
Topic	<b>Cover paper</b>
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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 are reported in the IASB<sup>®</sup> *Update*.

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## Objective

1. The objective of this meeting is to provide the International Accounting Standards Board (IASB) with a summary of feedback on its Extractive Activities research project. The feedback relates to suggestions to improve disclosures about an entity's exploration and evaluation (E&E) expenditure and activities that the IASB are exploring.

## Structure of the paper

2. This paper is structured as follows:
  - (a) Background (paragraphs 3–7);
  - (b) Papers for this meeting (paragraphs 8–10);
  - (c) Outreach (paragraphs 11–17);
  - (d) Next steps (paragraphs 18–20); and
  - (e) Appendix.

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## Background

### ***Scope and objective***

3. In its [September 2021](#) meeting the IASB decided that the objective and scope of the project 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 E&E expenditure and activities to provide more useful information to users of financial statements (users); and
  - (b) removing the temporary status of IFRS 6.

### ***Initial research on disclosures***

4. As discussed with the IASB in its [September 2022](#) meeting, we reviewed:
  - (a) disclosure-related feedback from research conducted between 2018–2021 with stakeholders (see [Agenda Paper 19A](#) to the IASB's September 2022 meeting);
  - (b) relevant academic literature (see [Agenda Paper 19A](#) to the IASB's September 2022 meeting);
  - (c) relevant jurisdictional requirements and other proposals for providing information about E&E expenditure and activities (see [Agenda Paper 19A](#) to the IASB's September 2022 meeting); and
  - (d) a sample of entities' annual filings to understand what information entities disclose about E&E expenditure and activities (see [Agenda Paper 19B](#) to the IASB's September 2022 meeting).
5. We identified three aspects of information about E&E expenditure and activities to explore further with stakeholders (see [Agenda Paper 19C](#) to the IASB's September 2022 meeting):

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- (a) whether and how entities can disclose better information about the different accounting policies entities apply to E&E expenditure specially in relation to:
    - (i) unit of account;
    - (ii) E&E expenditure; and
    - (iii) when capitalisation starts and stops;
  - (b) whether information about cumulative E&E expenditure could be disclosed to help compare entities that apply different accounting policies for E&E expenditure; and
  - (c) whether information about the risks and uncertainties associated with E&E expenditure and activities could be disclosed.
6. In the project plan the IASB discussed at its [March 2022](#) meeting, we set out plans to conduct limited outreach to discuss the suggestions in paragraph 5 with users, preparers and auditors and with a small number of national standard-setters. The feedback from these outreach activities is the subject of the papers for this meeting.
7. The appendix contains further background on the project.

## Papers for this meeting

8. The feedback on each suggestion in paragraph 5 is summarised in the following papers for this meeting:
- (a) Agenda Paper 19A—Summary of feedback—Information to help understand how entities account for E&E expenditure;
  - (b) Agenda Paper 19B—Summary of feedback—Information to help compare entities with different accounting policies; and
  - (c) Agenda Paper 19C—Summary of feedback—Information to help understand the risks and uncertainties of entities' E&E activities.

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9. Other suggestions from stakeholders to improve the information about E&E expenditure and activities are summarised in Agenda Paper 19D—Summary of feedback—Other information about E&E expenditure and activities.
  10. The IASB are not being asked to make any decisions in this meeting.

## Outreach

11. Outreach was conducted in two phases:
  - (a) staff outreach (paragraphs 12–15); and
  - (b) national standard-setters' outreach (paragraphs 16–17).

### **Staff outreach**

12. In the first phase of outreach, we held one-to-one meetings with a range of stakeholders from various jurisdictions. We met with:
  - (a) ten preparers;
  - (b) six users;
  - (c) two auditors; and
  - (d) two regulators.
13. These stakeholders represented the following regions:
  - (a) five Global;
  - (b) five Europe;
  - (c) four Asia Oceania;
  - (d) three Latin America;
  - (e) two North America; and
  - (f) one Africa.

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14. We briefed stakeholders on the IASB's decisions on the scope and objective of the project and we provided them with materials and questions in advance of the meetings. Each paper summarises the materials and the key questions we asked for each suggestion.
  15. We also asked stakeholders for any other suggestions they had to improve the information disclosed about E&E expenditure and activities.

### ***National standard-setters' outreach***

16. In the second phase of outreach we asked two national standard-setters (NSS), the Australian Accounting Standards Board and the Canadian Accounting Standards Board, to gather feedback from their key stakeholders on the same suggestions. We provided our outreach materials to the staff of these NSS and had briefing meetings to share some of the feedback we obtained.<sup>1</sup>
17. We asked these NSS because of the significant extractive industries in their jurisdictions and the broad range of entities across the different industries within those jurisdictions. These NSS also both contributed to the initial phase of research in the project in 2018.

### **Next steps**

18. At a future IASB meeting we plan to provide our analysis of the feedback presented in Agenda Papers 19A–19D.
19. We also plan to present our analysis on the removal of the temporary status of IFRS 6 together with research and feedback on removing paragraph 13 and 14 of IFRS 6,<sup>2</sup>

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<sup>1</sup> Feedback from outreach that the NSS staff conducted was not discussed by their respective boards. Views of their boards are developed only through due process.

<sup>2</sup> IFRS 6 contains different requirements for changing accounting policies for E&E expenditure than the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. IFRS 6 requires any change to make the financial statements (i) more relevant and no less reliable or (ii) more reliable and no less relevant to the economic decision-making needs of users. Applying IAS 8, an entity shall only change an accounting policy if the change results in financial statements providing reliable and more relevant information.

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which the IASB decided to explore as part of its work on exploring the removal of IFRS 6's temporary status at its [March 2022](#) meeting.

20. We will then ask the IASB to make decisions about the project's direction.

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## 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 [Agenda Paper 7A](#) to the IASB’s October 2010 meeting).
- 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 [Agenda Paper 19A](#) to the IASB’s September 2021 meeting), the IASB decided the project’s scope and objectives (see paragraph 3 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.