STAFF PAPER

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IASB Meeting

Project	**Extractive Activities**		
Paper topic	Feedback summary		
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Objective

1. The Board commenced its research project on Extractive Activities by asking the National Standard-setters, whose staff contributed to the 2010 Discussion Paper *Extractive Activities* (Discussion Paper), being Australia, Canada, Norway and South Africa, to inform the Board of any significant developments in extractive activities since the publication of the Discussion Paper.

2. At its September 2019 meeting, the Board asked staff to perform additional outreach with other jurisdictions that also have significant extractive activities.

3. The purpose of this paper is to summarise the feedback from that additional outreach (see paragraphs 12-15).

4. We received 20 responses from a wide range of stakeholders. Appendix A provides a summary by type of respondent and geographical region. There were mixed views across the types of respondents and geographical regions; however, we have highlighted any trends when identified.

5. This paper uses the following terms to describe the extent to which particular feedback was provided by stakeholders:

Term	*Extent of response among respondents*
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

6. We will not ask the Board to make decisions at this meeting. However, to help us develop our papers for future Board meetings, we will ask the Board for its initial comments on the feedback.

Overview

7. This paper is structured as follows:

   (a) Key messages (paragraphs 8-11);

   (b) Methodology (paragraphs 12-15);

   (c) Scope of the research project (paragraphs 16-18);

   (d) Applying IFRS Standards to extractive activities (paragraphs 19-43);

      (i) Applying IFRS 6 (paragraphs 22-24);

      (ii) Applying other IFRS Standards (paragraphs 25-40);

      (iii) Other challenges (paragraphs 41-43);

   (e) Reserve and resource reporting requirements (paragraphs 44-50);

      (i) Expanding the scope of IFRS 6 to include disclosure requirements for reserve and resource quantities (paragraphs 47-50);

   (f) Other information not required by IFRS Standards (paragraphs 51-54);

   (g) Other comments (paragraphs 55-56);

(h) Question for the Board;

(i) Appendix A—Demographic information;

(j) Appendix B—Summary of feedback from the national standard-setters whose staff contributed to the 2010 Discussion Paper.

Key messages

8. There continue to be mixed views about the potential scope of a research project to replace or amend IFRS 6 *Exploration for and Evaluation of Mineral Resources* (see paragraphs 16-18). For example:

   (a) many respondents think the scope of the research project should be expanded to address accounting for all extractive activities[1], not only exploration and evaluation activities as currently addressed by IFRS 6;

   (b) some respondents think that the Board should undertake a research project on only the activities addressed by IFRS 6;

   (c) some respondents think that the scope of the research project should be expanded to also address non-IFRS information such as the disclosure of reserve and resource quantities; and

   (d) a few respondents think there is no need for a project.

9. Most respondents provided feedback about application challenges arising applying IFRS 6 and other IFRS Standards which, in their view, are particularly difficult for entities with extractive activities. Respondents also provided comments on other application challenges which, in their view, are unique to entities in the extractives industry and are not specifically addressed in IFRS Standards (see paragraphs 19-43).

10. Many respondents noted diversity between jurisdictions in relation to the reserve and resource classification systems that entities with extractive activities are required to apply. Feedback indicates these classification systems are predominantly based on the globally recognised classification systems established by the Committee for Minerals Reserves International Reporting Standards (CRIRSCO) and the Petroleum Resource

[1] **Extractive activities** refer to exploration, evaluation, development and production activities.

Management System (PRMS). However, disclosure requirements for reserve and resource quantities differ significantly between jurisdictions (see paragraphs 44-50).

11. Many respondents described information that entities with extractive activities disclose in addition to information required by IFRS Standards. In particular, these respondents noted that entities currently disclose the following types of additional information (see paragraphs 51-54):

    (a) additional information that is voluntarily disclosed generally outside the financial statements; and

    (b) additional information that a particular jurisdiction requires to be disclosed either within the financial statements, or outside the financial statements.

Methodology

12. In order to seek feedback about extractive activities from jurisdictions other than those that contributed to the Discussion Paper and from other stakeholder groups we contacted the following groups to assist in distributing a request for information:

    (a) European Financial Reporting Advisory Group (EFRAG);

    (b) Emerging Economies Group (EEG);

    (c) International Forum of Accounting Standard Setters (IFASS);

    (d) Pan African Federation of Accountants (PAFA);

    (e) Asian-Oceanian Standard-Setters Group (AOSSG); and

    (f) Group of Latin American Accounting Standard Setters (GLASS).

13. The request for information included a set of questions for each stakeholder type (preparers, users, national standard-setters and regulators) and asked stakeholders about:

    (a) information that primary users ask for that is not currently required by IFRS Standards;

    (b) information that an entity with extractive activities must prepare and report to its local regulator or relevant stock exchange in addition to IFRS requirements (ie regulatory requirements for entities with extractive activities);

(c) the reserve and resource classification system applied in their local jurisdiction;

(d) whether there have been any recent developments in the extractives industry that are not specifically addressed by the IFRS Standards;

(e) application challenges that entities with extractive activities have in relation to (i) IFRS 6 specifically, and (ii) other IFRS Standards; and

(f) their views on whether there is a need for the Board to undertake a standard-setting project on accounting for extractive activities.

14. The questions were prepared in order to gather evidence about:

(a) whether there is a problem accounting for exploration and evaluation expenditure (ie the activities addressed by IFRS 6);

(b) whether there are wider problems accounting for all extractive activities including development and production; and

(c) whether primary users of financial statements are obtaining all the information they need for entities with extractive activities.

15. Respondents provided written responses to the questions. We think the information gathered from the additional outreach will be useful for the Board when it considers the scope of the research project at a future meeting. We have not considered the relative merits of the feedback provided and whether we think this provides evidence that there is a problem that needs to be addressed by standard-setting. Nor does this paper include all feedback, instead this paper highlights key themes of feedback. Consequently, this paper is only a summary of feedback from the additional outreach. We will provide the Board with an analysis of all the evidence gathered during this phase of the project when the Board is asked to decide on the scope of the research project.

Scope of the research project

16. In line with the feedback discussed with the Board at its September 2019 meeting (see ***September 2019 Agenda Paper 19A***), there continue to be mixed views about the potential scope of a research project. For example:

    (a) many respondents think the scope of the research project should be expanded to address accounting for all extractive activities, not only exploration and evaluation activities as currently addressed by IFRS 6 (as the Discussion Paper did). Some of these respondents referred to the various application challenges in paragraphs 19-43 as evidence that supports expanding the project scope. We note that the feedback indicates more support to expand the project scope to address accounting for all extractive activities than there was in the earlier outreach.

    (b) some respondents think that the Board should undertake a research project on IFRS 6 only—in other words, that the project should focus on improving the recognition, measurement and disclosure requirements for only exploration and evaluation activities, principally to improve the consistency of the accounting for exploration and evaluation expenditure. These respondents thought other extractive activities are accounted for appropriately applying other IFRS Standards, although some also suggested further guidance be provided on particular topics.

    (c) some respondents think that the scope of the research project should be expanded to also address non-IFRS information such as the disclosure of reserve and resource quantities. These respondents were concerned about the availability and consistency of information about reserve and resource quantities because the information is important for users of financial statements and can affect the estimates, assumptions and judgements used to prepare the financial statements.

    (d) a few respondents in the oil and gas industry think there is no need for a project and think IFRS 6 is working as intended.

17. Some respondents expressed concern that exploration and evaluation expenditure might be accounted for similarly to research and development expenditure, applying

IAS 38 *Intangible Assets*. In their view, exploration and evaluation activities are fundamentally different from research and development activities. For example, one respondent said that, unlike research and development expenditure, there is no correlation between the cost and value of exploration and evaluation expenditure.

18. A few respondents, primarily preparers in the oil and gas industry, expressed concern that the Board might develop a single accounting model might be developed for both minerals and oil and gas industries. In their view, these industries are fundamentally different and applying the same accounting requirements for all extractive activities would not be appropriate.

Applying IFRS Standards to extractive activities

19. Most respondents provided a response to the question about IFRS Standards that, in their view, are particularly difficult for entities with extractive activities to apply. Respondents comments can be grouped into three main categories:

    (a) challenges specific to applying IFRS 6 (see paragraphs 22-24); and

    (b) challenges related to applying other IFRS Standards (see paragraphs 25-40); and

    (c) other application challenges which, in their view, are not specifically addressed by IFRS Standards (see paragraphs 41-43).

20. Some respondents did not expect standard-setting activity as a result of these challenges and were simply highlighting those IFRS Standards they find challenging to apply in response to the question asked. However, some other respondents thought the Board should provide additional guidance on some of these topics, either in the applicable Standards themselves, in IFRS 6, in an extractive activities standard or, in one case, a new standard for the topic itself (for example, a standard addressing the accounting for emission rights).

21. As mentioned in paragraph 15, analysis of this feedback will be required to determine the nature and extent of these application challenges, whether they are unique to extractive activities (for example, some of the feedback might arise because the extractives industry has a higher concentration of complex transactions requiring

greater use of judgement in applying particular requirements than other industries) and whether there is evidence that there is a problem that needs to be addressed by standard-setting.

Applying IFRS 6

22. Before looking at the challenges highlighted in applying IFRS 6, it is worth observing that some preparers said that the users of their financial statements do not request additional information about the accounting treatment of exploration and evaluation expenditure. Instead, they say that users generally request other information, such as that described in paragraphs 51-54.

23. Some preparers have also said that it is important for entities to have the flexibility to develop the most appropriate accounting policy for exploration and evaluation expenditure[2]. This is because of the diversity of the entities operating in the extractives industry—for example:

    (a) a few said that it is important for entities to have the ability to develop the most appropriate accounting policy for exploration and evaluation expenditure because it allows entities that are listed in multiple jurisdictions to comply with both IFRS Standards and US GAAP. These respondents thought that any project undertaken by the Board should be performed in cooperation with the US Financial Accounting Standards Board (FASB).

    (b) a few said that being able to capitalise expenditure related to exploration and evaluation activities is fundamental for smaller entities, such as junior exploration entities, because it directly affects their ability to attract future investment.

    (c) a few said that larger entities, such as those with mining operations, recognise exploration and evaluation expenditure as expenses because the expenditure is generally not material to their operations.

[2] The requirements of IFRS 6 allow diversity in how an entity accounts for its exploration and evaluation expenditure.

24. However, some respondents thought that the requirements of IFRS 6 could be improved because, in their view, they contribute to the current diversity in accounting for exploration and evaluation expenditure. These respondents asked the Board to consider developing requirements relating to the following topics:

(a) unit of account—for example, a few respondents thought the Board should develop guidance about the unit of account to be applied when accounting for exploration and evaluation expenditure. These respondents thought the Board should develop guidance to help an entity identify whether the unit of account for exploration and evaluation expenditure should be:

(i) the geographical area(s) in which the entity operates;

(ii) the project in which the entity is engaged (which could span multiple geographical areas);

(iii) a single well or deposit; or

(iv) a group of wells or deposits that are clustered in a single geographical area;

(b) definition of exploration and evaluation expenditure—for example, a few respondents said that the Board should specify which costs should be classified as exploration and evaluation expenditure because there is diversity in practice between entities;

(c) acquisition of exploration rights—for example, a few respondents noted that exploration rights often have terms and conditions attached to them for which, in their view, the accounting treatment is not clear;

(d) accounting policy choices—as discussed in paragraph 16(b) a few respondents thought the Board should remove the accounting policy choice in IFRS 6; and

(e) transition from the exploration and evaluation phase(s)—for example, a few respondents questioned the point at which an entity completes the exploration and evaluation phase(s) and moves into the development phase (and hence moves out of the scope of IFRS 6).

Applying other IFRS Standards

25. Respondents provided feedback about requirements in the following IFRS Standards which, in their view, are difficult for entities with extractive activities to apply:

(a) IFRS 11 *Joint Arrangements* (see paragraphs 26-28);

(b) IFRS 15 *Revenue from Contracts with Customers* (see paragraphs 29-30);

(c) IFRS 16 *Leases* (see paragraphs 31-32);

(d) IAS 2 *Inventories* (see paragraphs 33-34);

(e) IAS 16 *Property, Plant and Equipment* (see paragraphs 35-37);

(f) IAS 23 *Borrowing Costs* (see paragraph 38);

(g) IAS 36 *Impairment of Assets* (see paragraph 39); and

(h) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (see paragraph 40).

IFRS 11 *Joint Arrangements*

26. A few preparers explained that joint arrangements are fundamental to entities with extractive activities. Projects of a significant size are usually conducted together with one or more parties and these are usually in the form of a joint arrangement that is classified as a 'joint operation'. They said that they find it difficult to, for example:

(a) distinguish between equity and liabilities in complex arrangements between multiple parties; and

(b) distinguish between service agreements and risk-sharing agreements.

27. Some preparers expressed concern about the Interpretations Committee's ***March 2019 Agenda Decision Liabilities in relation to a Joint Operator's Interest in a Joint Operation***. In their view, the accounting treatment described in the Agenda Decision conflicts with the economic substance of the fact pattern described and has resulted in uncertainty about accounting more generally for liabilities in joint operations.

28. Consequently, some preparers think the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 and IFRS 12 *Disclosure of Interests in Other Entities* should be a priority for the Board.

IFRS 15 *Revenue from Contracts with Customers*

29. Some respondents said that IFRS 15 can be difficult to apply in the extractives industry. For example, these respondents think:

    (a) IFRS 15 should include specific guidance about accounting for provisional prices[3] in contracts; and

    (b) IFRS 15 can be difficult to apply to profit-sharing agreements and lifting arrangements in other agreements.

30. One respondent said that there is a growing number of revenue streams in the extractives industry to which IFRS 15 does not apply.

IFRS 16 *Leases*

31. A few preparers observed that entities operating in the extractives industry often enter into complex contracts for items such as power supply, earth moving, warehouse rental and other service agreements. In their view it can be difficult to determine whether such contracts contain a lease.

32. A few preparers also expressed uncertainty about the interaction between IFRS 6 and IFRS 16, and a few other preparers mentioned the difficulties of applying IFRS 16 in combination with IFRS 11 which, as discussed in paragraph 26, is commonly applied in the extractives industry.

IAS 2 *Inventories*

33. A few preparers said that IAS 2 can be difficult to apply. In their view, the Board should provide guidance for entities with extractive activities to help them appropriately allocate costs to inventory. These respondents said that costs can be difficult to allocate because of the complexity of extractive activities and because extractive activities are affected by significant uncertainty.

34. These respondents provided the following specific examples:

[3] **Provisional pricing** is the pricing defined for a commodity when no pricing is established for a contract quantity. In such cases, final settlement is not permitted. Therefore, a provisional price is substituted for those components and quantities for which there is no pricing in the contract.

(a) allocating costs to co-products[4] or by-products; and

(b) accounting for mineral stockpiles which, due to economic feasibility, only get recognised as inventory years after extraction—for example, an entity might decide that, due to the price of mineral X, it is not economically feasible to sell it so instead they stockpile mineral X as a waste product (ie it has no book value) and sell mineral Y which was extracted and processed alongside mineral X. However, years later the price of mineral X has increased to the point where selling it has become economically feasible.

IAS 16 *Property, Plant and Equipment*

35. Some preparers stated that, in their view, applying the requirements for depreciation to assets used in the development and production of minerals and oil and gas is complex. This is because, for example:

(a) the life of a mine often exceeds the depreciation rate applied—for example, if replacement reserves are found several years after the mine has been in operation, it could extend the life of mine for several years depending on the size of the replacement reserve; and

(b) the calculation of 'useful life' and depreciation rates is complex when applying the units-of-production method because estimates of available minerals and oil and gas change regularly (for example, because of changing commodity prices).

36. A few preparers said that there is diversity across the extractives industry when applying the units-of-production method for depreciating assets. They said that there can be significant diversity between entities applying the units-of-production method because depreciation may be calculated using[5]:

(a) proved reserves;

(b) proved and probable reserves;

[4] For example, when minerals occur together and can be extracted and processed together, however the entity elects to only focus their business operations on one of those minerals.

[5] Reserve and resource classification systems, such as CRIRSCO and PRMS, define exactly what is meant by '**proved**' and '**probable**' reserves and resources.

(c) proved and probable reserves plus a portion of resources expected to become reserves; or

(d) proved and probable reserves and resources.

37. Another preparer also said that entities with extractive activities are unique in that they construct assets for their own use that are in-use whilst under construction. For example, tailings dams[6] are under construction and in-use simultaneously.

IAS 23 *Borrowing Costs*

38. A few preparers commented that the IFRS Standards do not specifically address the capitalisation of borrowing costs incurred in relation to exploration and evaluation activities and that further guidance is required.

IAS 36 *Impairment of Assets*

39. Some preparers and a few national standard-setters said that IAS 36 can be difficult to apply to exploration and evaluation assets, despite the exceptions to IAS 36 that are contained in IFRS 6. In particular, these respondents said they find it difficult to perform impairment assessments of exploration and evaluation assets because:

(a) it is difficult to determine the recoverability of exploration and evaluation assets—for example, a few respondents thought it would be useful if the Board developed guidance about how to recognise and measure the recovery of exploration and evaluation assets.

(b) it is difficult to determine how long exploration and evaluation assets should remain on the balance sheet—for example, when an entity decides to defer the development of a mineral or oil or gas project for several years in favour of other projects.

(c) of the diversity regarding the unit of account applied to exploration and evaluation assets (see paragraph 24(a)).

[6] A **tailings dam** is typically an earth-fill embankment dam used to store by-products of mining operations.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

40. Some preparers observed it can be difficult to apply IAS 37 to decommissioning provisions in the extractives industry. In their view, due to the lack of specific guidance diversity in practice can occur. For example, these respondents thought there is:

    (a) diversity in how decommissioning provisions are determined given:

        (i) the uncertainty regarding the extent and amount of decommissioning that will be required in future; and

        (ii) the significant judgements needed to determine which costs should be included in the measurement of the provision, for example security costs, maintenance costs, ongoing environmental monitoring and employee termination costs; and

    (b) a lack of consistency in the discount rate used when determining such provisions.

Other challenges

41. Some respondents provided feedback on aspects of the extractives industry which, in their view, are unique and are not specifically addressed by IFRS Standards but should be. For example:

    (a) streaming contracts[7]—a few respondents noted that the use of streaming contracts has increased in the industry and were concerned that there is no clear understanding of how such contracts should be accounted for. For example, these respondents questioned if such a contract is a revenue generating contract or a financing arrangement, or a combination of both. In their view, accounting for streaming contracts often requires applying multiple IFRS Standards and they were uncertain about how these Standards interact with each other.

[7] A **streaming contract** is an agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of a mine's production, at a price determined for the life of the transaction by the purchase agreement.

(b) farm-in/farm-out contracts[8]—a few respondents observed diversity in how farm-in/farm-out contracts are accounted for because such contracts can include various complex arrangements such as risk-sharing and future payments based on reserve assessments. In their view, IFRS Standards should specifically address these arrangements.

42. Although not unique to the extractives industry, a few respondents observed that environmental concerns have become more prevalent in the industry resulting in more countries implementing emission schemes and other nature-based solutions to counteract damage to the environment by extractive activities. With the withdrawal of IFRIC 3 *Emission Rights* and no subsequent standard-setting in this area by the Board, they observed that there is diversity in the accounting for emission credits.

43. As discussed in the previous section, a few preparers also questioned how IFRS Standards apply to commonly occurring arrangements in the extractives industry such as risk-sharing arrangements and production or profit-sharing arrangements.

Reserve and resource reporting requirements

44. We note that, from feedback received, there appear to be different requirements in each jurisdiction for both (i) the reserve and resource classification system entities should apply; and (ii) the disclosure of reserve and resource quantities. In particular:

(a) some respondents noted that requirements to disclose information about an entity’s reserves and resources are mandated by the relevant stock exchange on which the entity is listed. For example, oil and gas entities listed in the United States of America are required to apply SEC Regulation S-X Rule 4-10, and mineral and oil and gas entities listed in South Africa are required to apply the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the South African Oil and Gas Code (the SAMOG Code) respectively.

[8] A **farm-in/farm-out contract** is a contract in which the farmor agrees to assign an interest to a farmee in exchange for certain services—once these services have been rendered, the farmee has earned what is known as an ‘assignment’. This is a farm-out from the perspective of the farmor and a farm-in from the perspective of the farmee.

(b) some respondents noted that there are no requirements to disclose information about an entity's reserves and resources in their jurisdiction. However, a few other respondents noted that:

(i) their local stock exchange requires the use of a specific reserve and resource classification system if an entity voluntarily discloses information about its reserves and resources;

(ii) guidance has been provided by their local national standard-setter about the information to be disclosed about an entity's reserves and resources; or

(iii) even if no guidance was provided in their jurisdiction, it is industry practice to disclose information about an entity's reserves and resources using widely accepted classification systems, such as those developed using the CRIRSCO and PRMS systems.

45. Many respondents also noted that reports about an entity's reserves and resources are not disclosed as part of the financial statements and as such are not currently subject to audit.

46. One national standard-setter noted that although most jurisdictions have their own requirements about the use of reserve and resource classification systems, they are updated periodically by reference to reserve and resource classification systems used in other jurisdictions. This respondent thought that this resulted in reserve and resource classification systems that predominantly align across jurisdictions, but for which disclosure requirements differ.

Expanding the scope of IFRS 6 to include disclosure requirements for reserve and resource quantities

47. There continue to be mixed views about whether the Board should expand the scope of IFRS 6 to include disclosure requirements for reserve and resource quantities.

48. Some preparers do not support expanding the scope of IFRS 6 to address reserve and resource disclosures because, in their view:

(a) reserve and resource reports are prepared by experts that do not use IFRS Standards—for example, a few preparers noted that geologists and engineers are expected to exercise conservatism when preparing reports about reserves and resources. In their view, this conflicts with the objective of IFRS Standards to provide unbiased information;

(b) when disclosures about an entity's reserves and resources are considered important to investors, disclosures are either:

(i) required by the local jurisdiction (see paragraph 44(a));

(ii) subject to regulations in the local jurisdiction when such disclosures are made voluntarily—for example, the jurisdiction does not require the entity to make such disclosures, but has requirements for when those disclosures are made voluntarily; or

(iii) voluntarily provided;

(c) the burden of reporting would be unreasonable if information about reserve and resource quantities were to be disclosed in the financial statements—this is because:

(i) material information about the entity's operations could be obscured by immaterial information—these respondents thought, because reserve and resource information is so specialised and only some users would find it useful, it could obscure material information in the financial statements; and

(ii) audit and compliance costs would increase significantly; and

(d) reserve and resource information can be commercially sensitive, revealing, for example, an entity's strategy.

49. However, some other respondents thought the Board should expand the scope of IFRS 6 to include disclosure requirements about reserve and resource quantities because, in their view, such information:

(a) is critical for investors to be able to:

(i) assess the financial position and future potential cash flows that may be secured by an entity;

(ii) understand how well the entity is replacing its reserves over time;

(iii) understand the different geological, political and other risks which affect an entity’s ability to extract minerals and oil and gas; and

(iv) compare the financial performance of entities within the industry;

(b) is relevant to recognition and measurement principles in financial statements because reserve quantities are often used as inputs in areas such as impairment assessments, depreciation calculations and decommissioning provisions; and

(c) would help support consistency and transparency of reserve and resource quantities being reported.

50. However, a few of these respondents also have some concerns about providing information about an entity’s reserves and resources. In particular, these respondents thought the Board should take into consideration:

(a) the disclosure burden, especially for smaller entities (such as junior exploration entities); and

(b) the sensitivity of reserve and resource quantities. For example, for state-owned entities there could be issues of national security.

Other information not required by IFRS Standards

51. Many respondents, particularly preparers, noted that voluntary disclosures, in addition to those required by IFRS Standards, are common in the extractives industry. These respondents said that, in their view, the extractives industry focuses on non-GAAP and cash measures because these provide more useful information to users of financial statements.

52. In particular, preparers noted that they disclose non-GAAP measures, generally outside their financial statements, at the request of their users, for example:

(a) information related to cash flows such as ‘free cash flows’ and ‘cash cost per treated tonne’;

(b) information related to the entity's debt such as 'net debt' and 'net debt to EBITDA';

(c) cost metrics such as 'all-in-sustaining-cost' and 'costs to explore';

(d) information related to the entity's production such as 'production during the period', 'cost of production' and 'mineral reserves and resources per mining unit'; and

(e) information related to the entity's reserves such as 'reserve replacement ratios' and the estimated useful life of reserves.

53. Some preparers also said they provide information about:

(a) provisions for decommissioning and other costs in addition to that required by IAS 37;

(b) the judgements and assumptions used when preparing reserve and resource estimates;

(c) information about the status of significant projects; and

(d) information about the estimated fair value of the entity's different types of mineral reserves.

54. A few respondents, including users, noted that their jurisdictions also require entities to prepare and report on, separately from the financial statements, the following:

(a) payments to governments;

(b) information about an entity's operations when those operations could involve or be affected by conflict resources[9];

(c) expected cash flows for the next 12-18 months;

(d) information under the continuous disclosure obligations of some stock exchanges (for example, in Australia);

(e) corporate governance issues such as key milestones on safety; and

(f) issues related to sustainability and climate change.

[9] **Conflict resources** are natural resources extracted in a conflict zone and sold to perpetuate the fighting.

Other comments

55. A few respondents, primarily national standard-setters, thought there were other industries which had been established since 2010 which the Board should consider including in the scope of extractive activities, for example:

    (a) construction materials such as rock, sand, limestone, marram, and soil[10]; and

    (b) geothermal mining.

56. A few respondents noted the following developments in the extractives industry since 2010 which they thought the Board should be made aware of:

    (a) unconventional exploration activities such as fracking;

    (b) geopolitics and its effects on the extractive activities of an entity—for example, if a mineral deposit is spread over more than one jurisdiction; and

    (c) artisanal (or hobby) mining[11].

Question for the Board

Question
Does the Board have any questions or comments on the feedback?

[10] Note that construction materials are not generally classified as minerals in reserve and resource classification systems.

[11] **Artisanal mining** refers to small scale mining which is usually performed using manual labour and minimal equipment.

Appendix A—Demographic information

A1. The following is a summary of the feedback received.

A2. This table illustrates the breakdown of responses by geographical region:

Region	% of respondents
Africa	15
Asia	30
Europe (incl. Russia)	10
Latin America and the Caribbean	25
North America	5
Oceania	10
Other / Global	5

A3. This table illustrates the breakdown of responses by respondent type:

Respondent type	% of respondents
Preparers	60
Users	10
Regulators	5
National standard-setters	25

Appendix B—Summary of feedback from the national standard-setters whose staff contributed to the 2010 Discussion Paper

B1. The Board discussed feedback from the National Standard-setters, whose staff contributed to the Discussion Paper (being Australia, Canada, Norway and South Africa), at its March 2019 meeting (see ***March 2019 Agenda Paper 19***).

B2. Overall, most National Standard-setters consulted identified that:

(a) the markets for minerals and oil and gas have become more volatile than they were in 2010;

(b) the risk profile of entities operating in the extractives industry has changed;

(c) entities operating in the extractives industry are engaging in new and more complex transactions whereby the current accounting requirements may not be clear;

(d) increasingly, entities operating in the extractives industry are engaging in unconventional extractive activities;

(e) the reporting of other information, such as payments to governments and sustainability reporting, is being mandated at a jurisdictional level; and

(f) there have been minor amendments to the relevant reserves and resources definitions mandated within each jurisdiction.

B3. The National Standard-setters also identified areas of IFRS Standards that entities with extractive activities have difficulty in applying and additional information not required by IFRS Standards that these entities commonly provide. These were similar to those identified in the further outreach and that are discussed in paragraphs 19-43 and paragraphs 51-54.