

## STAFF PAPER

February 2021

## 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 present an explanation of extractive activities in the minerals and oil and gas industries, together with common accounting challenges for those extractive activities and reasons for those challenges.
2. We are not asking the Board to make any decisions at this meeting.

**Background**

3. In April 2010 the Board published the Discussion Paper *Extractive Activities* (Discussion Paper) which 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 meeting (see [October 2010 Agenda Paper 7A](#)).
5. Following feedback from the 2015 Agenda Consultation, the Board decided to add a new research project on extractive activities to the research pipeline. This research project was activated in 2018 and aims to gather evidence to help the Board decide

whether to start a project to develop proposals on accounting requirements that would amend or replace IFRS 6.

6. The Board issued IFRS 6 in 2004 as an interim step. The Standard allows entities adopting IFRS Standards to continue to apply some aspects of their existing accounting policies for exploration and evaluation expenditure until the Board reviews the accounting practices of entities engaged in extractive activities. This has led to diversity in practice in the accounting policies developed by entities with extractive activities.
7. In 2018, feedback was requested from the national standard-setters whose staff contributed to the development of the Discussion Paper (being Australia, Canada, Norway and South Africa). Those national standard-setters were asked to provide an update on extractive activities in their jurisdictions since the publication of the Discussion Paper in 2010. Additionally, those national standard-setters were asked:
  - (a) how these changes might affect the research findings of the Discussion Paper; and
  - (b) if, as a result of these changes, they recommend the Board consider performing additional research.
8. This feedback was presented to the Board at its March 2019 meeting (see [March 2019 Agenda Paper 19](#)).
9. At its September 2019 meeting, the Board discussed the potential effects, if any, on the analysis and proposals in the Discussion Paper in light of (see [September 2019 Agenda Papers 19-19F](#)):
  - (a) Standards, amendments and other Board documents issued since the publication of the Discussion Paper; and
  - (b) changes to the reserve and resource classification systems and other initiatives, such as ‘publish what you pay’ and sustainability reporting.
10. At that meeting the Board asked staff to perform outreach in other jurisdictions and additional research activities in order to be able to determine:
  - (a) what problems, if any, entities with extractive activities have applying IFRS Standards; and

- (b) whether the primary users of financial statements of entities with extractive activities are obtaining all the information they need for these entities.
11. Staff have now completed those additional research activities requested by the Board. The staff presented the findings from the following research activities, either this month or in previous months:
- (a) feedback about the extractives industry from other jurisdictions and stakeholder groups (see [June 2020 Agenda Paper 19A](#));
  - (b) accounting for exploration and evaluation expenditure applying IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (see [July 2020 Agenda Paper 19A](#));
  - (c) a literature review on accounting for exploration and evaluation expenditure and reserve and resource disclosures (see [July 2020 Agenda Paper 19B](#));
  - (d) reserve and resource reporting requirements of jurisdictions which have significant extractive activities (see [September 2020 Agenda Paper 19A](#));
  - (e) diversity of accounting policies applied to exploration and evaluation expenditure (see [October 2020 Agenda Paper 19A](#)); and
  - (f) an explanation of extractive activities in the minerals and oil and gas industries, together with the common accounting challenges for those extractive activities and reasons for those challenges (see *Agenda Paper 19A*).

### Next steps

12. The Board will be asked to make a decision about whether to commence a project to replace or amend IFRS 6 at a future meeting, based on the information that has been presented to the Board in past meetings.