

STAFF PAPER

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IASB Meeting

Project	Extractive Activities		
Paper topic	Project plan		
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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® Accounting Standards. The IASB's technical decisions are made in public and reported in the IASB® *Update*.

Objective

1. At its September 2021 meeting, the International Accounting Standards Board (IASB) decided that the scope and objectives of its research project *Extractive Activities* should be to explore two aspects of IFRS 6 *Exploration for and Evaluation of Mineral Resources*:
 - (a) developing requirements or guidance to improve the disclosure objectives and requirements about an entity's exploration and evaluation (E&E) expenditure and activities to provide more useful information to primary users of financial statements (users); and
 - (b) removing the temporary status of IFRS 6.
2. This paper presents our planned next steps for the project.

Structure of this paper

3. This paper explains:
 - (a) background (paragraphs 4–9);
 - (b) project plan (paragraphs 10–22); and

- (c) next steps (paragraph 23).

Background

4. 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. 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 led to diversity in the accounting for E&E expenditure.
5. 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 [October 2010 Agenda Paper 7A](#)).
6. 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.
7. We performed research, including outreach with a wide range of stakeholders from many jurisdictions. Our research indicated:
 - (a) there is diversity in practice 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.
8. In September 2021 (see [September 2021 Agenda Paper 19A](#)), the IASB decided the project's scope and objectives (see paragraph 1 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.

9. 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.

Project plan

10. This section outlines the research we intend to perform. We considered the two elements of the project’s scope (see paragraph 1) separately:
 - (a) exploring improvements to the disclosure objectives and requirements in IFRS 6 about E&E expenditure and activities (paragraphs 11–19); and
 - (b) exploring removing the temporary status of IFRS 6 (paragraphs 20–22).

Improvements to the disclosure objectives and requirements in IFRS 6

11. In exploring whether to improve the disclosure objectives and requirements in IFRS 6 about an entity’s E&E expenditure and activities, the IASB will need to consider:
 - (a) users’ information needs;
 - (b) why users do not currently get that information; and
 - (c) the costs of requiring entities to provide that information.

Staff research

12. We identified the following three phases of work that would, in our view, allow us to obtain sufficient evidence to help the IASB appropriately consider these matters.

Phase I—desktop review of disclosure-related feedback received since 2018

13. Phase I would include reviewing:
 - (a) disclosure suggestions identified—we will use information from our previous research to identify suggestions of information not currently disclosed that could be useful, consider whether these are already required by IFRS Accounting Standards and if so, why this information is not being provided.
 - (b) relevant academic research.
 - (c) a sample of entities’ annual reports to understand what information these entities provide about E&E expenditure and activities—this sample will be a subset of annual reports we reviewed in 2020 to research diversity in the accounting for E&E expenditure (see [October 2020 Agenda Paper 19A](#)). We will ensure we obtain sufficient coverage of different industries, entity sizes, entity types (for example, exploration-only) and accounting policies applied to E&E expenditure.

14. Phase I will conclude with the development of our initial ideas of information about E&E expenditure that could be useful for users. This will include an initial assessment of whether we think the IASB should undertake standard-setting to provide this information. We expect to complete this phase within approximately two to three months.

Phase II—Limited outreach with users, preparers and auditors

15. In Phase II, we intend to perform limited outreach with users, preparers and auditors to (a) test the initial ideas developed in Phase I; and (b) understand whether there is other information about E&E expenditure and activities that would be useful. We plan to work with our investor engagement team, as we have previously, to maximise user engagement. Because extractive activities is a specialised topic, we will make use of existing auditor and preparer contacts in the industry (including, where applicable, members of the IFRS Interpretations Committee and consultative groups such as the Global Preparers Forum). We expect to conduct this outreach over a period of two to three months.

16. Phase II will allow us to refine our initial ideas and develop further any suggested disclosure requirements for E&E expenditure and activities.

Phase III—Limited outreach with national standard-setters

17. In Phase III we intend to conduct limited outreach with a small number of national standard-setters in jurisdictions with significant extractive industries. The objective of this outreach would be to test the suggested requirements with stakeholders in their jurisdictions and provide the IASB with evidence that there are no fatal flaws. The reason for this step is due to the specialist nature of the topic which is likely to limit the benefit we may get from the consultative groups the IASB usually tests its ideas with. We expect to complete this phase in a period of one to two months.

Other matters

18. We will update the IASB on the project’s status as we progress.
19. Depending on the results of Phase 1, or during other phases, the IASB may decide to explore options other than (or in addition to) proposing additional disclosure requirements in IFRS 6, to meet users’ information needs. For example, the IASB might decide:
- (a) to develop educational material to help improve the application of existing requirements if it concludes that a lack of information about E&E expenditure and activities is an application matter and not something that requires standard-setting.
 - (b) not to proceed with the project if there is insufficient support from users for standard-setting (in which case we would expect to communicate the IASB’s decisions and rationale using appropriate means).

Removing the temporary status of IFRS 6

20. As explained in paragraph 4 of this paper, IFRS 6 was issued as an interim accounting standard in 2004, before the IASB completed a comprehensive review of accounting for extractive activities. In developing our recommendation on this matter, we will consider whether the comprehensive review of extractive activities as envisaged by

the IASB in 2004, has been completed and consequently, whether references to ‘temporary’ in IFRS 6 should be removed. Our analysis will include, for example:

- (a) considering the scope, content and outcome of the 2010 Discussion Paper;
and
 - (b) the extent of the research conducted in this (current) project.
21. As discussed at the September 2021 IASB meeting, removing the temporary status of IFRS 6 should not imply that the diversity in accounting for E&E expenditure is good. We would clarify this in any communication of the IASB’s decision on this matter.
22. We expect to complete work on the removal of the temporary status of IFRS 6 concurrently with the work to improve the disclosure objectives and requirements of IFRS 6.

Next steps

23. If the IASB agrees with our project plan, we will implement the plan and begin our research as set out in the paper.

Question for the IASB

Does the IASB agree with the project plan outlined in paragraphs 10–22?