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UNECE Resource Management Week 2019

Extractive Activities
Reserve & resource reporting

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Project background

• Project added to Board’s active research programme in 2018

• The Board is gathering evidence to help it decide whether to start a project to develop proposals to replace or amend IFRS 6 *Exploration for and Evaluation of Mineral Resources*
  
  • The Board is considering feedback from the 2010 *Extractive Activities* Discussion Paper as part of that evidence

• IFRS 6 allows diversity in recognition and measurement which can affect primary users’ understanding of financial statements
2010 Extractive Activities Discussion Paper

- The 2010 Discussion Paper proposed expanding the scope beyond that of IFRS 6 *Exploration for and Evaluation of Mineral Resources* to:
  - include all upstream extractive activities
  - define what is meant by ‘reserve’ and ‘resource’
  - to require entities to disclose non-IFRS information such as reserve and resource information and payments made to governments

- Other topics covered by Discussion Paper:
  - recognition
  - measurement
  - depreciation
  - unit of account
  - impairment
In particular, the project team analysed the most prominent reserve and resource classification systems being:

- Committee for Mineral Reserves International Reporting Standards (CRIRSCO)
- the Petroleum Resource Management System (PRMS)
- United Nations Framework Classification for Fossil Energy and Mineral Resources (UNFC)

The project team proposed that an extractive activities standard should use CRIRSCO for minerals reporting and PRMS for oil and gas reporting.

Broad support for proposal (widely accepted systems) but concerns how a third party system incorporated into IFRS.
Current stage

- The Board has asked the National Standard-setters (NSS) that contributed to the 2010 *Extractive Activities* Discussion Paper to make the Board aware of developments since 2010

- Staff are performing additional outreach, research and analysis to:
  - determine the effect, if any, of changes in the extractives industry on the 2010 Discussion Paper; and
  - better understand the issues that preparers and users face in preparing and understanding the financial statements of entities that engage in extractive activities
Feedback from NSS - key areas of change since 2010

• The risk profile of entities, and the industry in which they operate, has changed

• New, and more complex, transactions for which recognition, measurement and disclosure requirements of existing Standards are not clear

• Each jurisdiction applies their own reserve and resource classification system and these systems have undergone minor amendments since 2010

• Some jurisdictions have implemented their own requirements for the reporting of non-IFRS information outside the financial statements such as payments to governments
Feedback from NSS - reserves and resources

• There is a legal requirement in place to use a specific reserve and resource classification system within each jurisdiction. Respondents noted minor updates to the relevant definitions of reserves and resources. For example:

  i. Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards on *Mineral Resources and Mineral Reserves* have been aligned with CRIRSCO definitions

  ii. Australia’s Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) was revised to improve the quality of reporting

  iii. Small changes in PRMS were noted
Other feedback received on reserve and resource reporting

- Continues to be wide support for an extractive activities standard incorporating a third-party reserve and resource classification system.

- However, users have raised the following concerns about the current classification systems:
  - ‘competent person’ is not always independent of the reporting entity.
  - Not made clear if the effects of climate-change or other environmental issues are taken into consideration when reporting reserves and resources.
  - Not made clear what economic assumptions are used in determining reserve and resource quantities.
  - Level of aggregation in reserve and resource reports does not always provide useful information.
  - Lack of comparability between reserves and resources reported in different jurisdictions.
Next steps

• Board education/discussions to continue in 2019

• Board plans to discuss the scope of the project thereafter

• For further information, visit the project page:
  • [https://www.ifrs.org/projects/work-plan/extractive-activities/](https://www.ifrs.org/projects/work-plan/extractive-activities/)
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