



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
E-mail: iasb@iasb.org Website: www.iasb.org

**International
Accounting Standards
Board**

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EXTRACTIVE ACTIVITIES RESEARCH PROJECT

Project Updates are provided for the information and convenience of constituents who wish to follow the IASB's deliberations. All conclusions reported are tentative and may be changed at future IASB meetings. Decisions become final only after completion of a formal ballot to issue an International Financial Reporting Standard, Interpretation, or Exposure Draft.

Introduction

This project report is structured as follows:

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Objective

1. The extractive industries (mining and oil & gas) are important economic sectors in many economies and few jurisdictions have accounting standards in this area. The extractive activities project is a comprehensive research project that forms the first step towards the development of an acceptable approach to resolving accounting issues that are unique to upstream extractive activities. The ultimate objective of this project is to develop an International Financial Reporting Standard (IFRS) on accounting for extractive activities. This IFRS will supersede IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
2. A project team comprising representatives from the national standard setters of Australia, Canada, Norway and South Africa are undertaking the research project for the Board.

Next Steps

3. The project team has prepared a working draft of a Discussion Paper, which is available now on the IASB website.
4. The Board plans to publish a request for views on the project team's discussion paper in the first quarter of 2010. After publication of its request for views, the Board must make a decision about adding the project to its active agenda. Once that decision has been made, the project team estimates that an exposure draft would take at least 18 months to develop and that a final IFRS would take at least another 12 months to develop.
5. No more education sessions with the Board are planned prior to the publication of the Discussion Paper.

Background

History

6. The IASB's predecessor organisation, the International Accounting Standards Committee (IASC), established a Steering Committee in 1998 to carry out work on accounting and financial reporting by entities engaged in extractive activities. The Steering Committee published an Issues Paper *Extractive Industries* in November 2000 (the "2000 Issues Paper"). In response, 52 comment letters were received.
7. In July 2001, the Board announced that it would restart the project when agenda time permitted. In September 2002, the Board decided it was not feasible to complete a comprehensive project addressing accounting for extractive activities generally in time for the many entities that would adopt IFRSs in 2005. However, the Board decided it was necessary to provide guidance on the treatment of exploration and evaluation costs for entities applying IFRSs in 2005 and, consequently in December 2004, it released IFRS 6 as an interim measure pending completion of the comprehensive project.
8. The research stage of the comprehensive project commenced in April 2004, after the Board and liaison national standard setters agreed on the research project plan developed by the project team.

Convergence

9. An important priority for the IASB is seeking convergence with national standards, especially US GAAP. It is expected that the extractive activities project will be a 'modified joint' project. Under this approach, the Board will initially publish a request for views on the project team's discussion paper. The US Financial Accounting Standard Board (FASB) will decide subsequently whether to add to its agenda a joint project with the IASB to develop a comprehensive standard on accounting for extractive activities.

Advisory Panel

10. An advisory panel has been established to provide advice to the project team and the Board throughout the research project. The advisory panel consists of analysts and other users of financial reports, individuals from entities engaged in extractive activities (both mining and oil & gas), auditors, and securities regulators. The advisory panel is also geographically diverse with members drawn from Africa, Asia-Pacific, Europe and North America.

Project Scope

11. Upstream extractive activities cover all aspects of the search for, finding, and extraction of minerals, oil and gas. The project scope, as approved in April 2004, is to consider all unique issues associated with accounting for these activities. This involves researching financial reporting issues associated with minerals and oil & gas reserves and resources (including the exploration for reserves and resources). Specifically, this includes determining:
- a. the definition of reserves and resources – this may involve using existing definitions or developing an overarching definition(s) of reserves and resources that identifies the principal features of reserves and resources for use in either or both of the recognition and disclosure of reserves and resources;
 - b. the reserves and resources that meet the criteria in the IASB *Framework for the Preparation and Presentation of Financial Statements* for recognition as an asset in the financial statements;
 - c. how reserves and resources that are recognised in the financial statements should be measured on initial recognition – alternatives include:
 - i. the historical cost of acquisition and/or discovery (this might be historical cost determined using a successful efforts, area of interest, full cost, or other method);
 - ii. the fair value of the reserve and resources; or
 - iii. some other basis;
 - d. how reserves and resources that are recognised in the financial statements should be measured in periods subsequent to initial recognition, including issues such as remeasurement, impairment and amortisation;
 - e. whether costs incurred prior to the recognition of a reserve and resource in the financial statements should all be expensed or if some should be capitalised; and
 - f. the information on reserves and resources that should be disclosed in financial statements.
12. The research will also consider whether the same principles and requirements should be applied equally to both mineral reserves and resources and oil & gas reserves and resources.

Project history: Tentative Decisions to Date

13. The Board has held seven education sessions on the extractive activities research project. The following paragraphs summarise the tentative conclusions reached in those education sessions:
- a. definitions of reserves and resources (paragraphs 14-23)
 - b. recognition and measurement of reserves and resources (paragraphs 24-38)
 - c. disclosure of reserves and resources and related information (paragraphs 39-59).

Definitions of reserves and resources

14. The purpose of the first two education sessions was to generate a greater appreciation of the similarities and differences between minerals and oil & gas reserves and resources (i.e. the differing characteristics of reserves and resources, the key uncertainties with the estimation of reserves and resources, and the use of different classifications in the reporting of reserve and resource volumes). This understanding is useful for determining how to define reserves and resources for financial reporting purposes, and is also useful for future deliberations on the recognition, measurement and disclosure of reserves and resources.
15. The first education session, held in April 2005, comprised separate presentations on mineral reserves and resources and oil & gas reserves and resources. The presentations provided an overview of the estimation of reserves and resources and of some of the major reserve/resource reporting codes. The minerals presentation was delivered by industry representatives from the (Australasian) Joint Ore Reserves Committee and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), and the oil & gas presentation was delivered by a representative from the Society of Petroleum Engineers Oil and Gas Reserves Committee (SPE).
16. The second session in July 2005 was an extension of the April session and provided the Board with an opportunity to ask further questions about the key components of the definitions of reserves and resources that are used in each industry.
17. During the July 2005 education session, the Board considered comparisons between the major minerals and oil & gas industry definitions of reserves and resources, those industry definitions and the SEC's minerals and oil & gas definitions, and the reserves and resources definitions with some key accounting principles. Differences between the definitions that were identified included differences in specificity, methodologies (e.g. economic assumptions, confidence levels), language, and the scope of the definitions. The comparisons also noted that some differences appear to be a consequence of the physical differences between mineral and oil & gas deposits, but other differences seem to be attributable to the fact that the definitions were developed and updated independently of each other in each industry.
18. Some of the possible approaches for defining reserves and resources for financial reporting purposes were also discussed during the July 2005 session. The following broad options were identified:
 - a. to use existing definitions – this would be likely to result in separate reserves and resources definitions being used for minerals and oil & gas;
 - b. to modify the existing definitions – to bring the minerals and oil & gas definitions closer together and/or bring the definitions closer to accounting principles (e.g. for the price assumptions used); or
 - c. to develop a new set of definitions – this would be likely to result in a single set of reserves and resources definitions that could be used for both minerals and oil & gas.
19. At that time, tentative support was indicated for exploring the use of a generic definition of 'resources' for recognition purposes (which may be on either a historical cost or a current value basis) that encompasses minerals and oil & gas reserves and resources. Under this approach, disclosures supporting the recognition and measurement of 'resources' (as generically defined) would be based on or be similar to existing definitions of reserves and resources definitions used in each industry.
20. Following a request from the Board, an industry working group comprising members of the CRIRSCO and the SPE undertook a detailed review of their respective reserve

and resource definitions to, firstly, identify the potential for greater convergence of the definitions and, secondly, consider alternative approaches that may promote a common understanding of minerals and oil & gas reserve and resource definitions. Also involved in the review were representatives from the International Organization of Securities Commissions and the United Nations Economic Commission for Europe, both of which also have an interest in reserve and resource definitions. The review was proposed because bringing the definitions closer together is expected to be beneficial to the development of an IFRS that would apply to mineral and oil & gas reserves and resources.

21. As part of the research project's fourth education session, held in June 2007, a representative from the SPE updated the Board on the review findings thus far. The findings indicated that there is a high degree of compatibility in the classification logic that oil & gas and minerals evaluators apply in determining quantities of oil & gas or minerals that reside in a field or deposit. However, it was noted that the SPE and CRIRSCO did not consider that word-for-word convergence of the SPE and CRIRSCO definitions represents an achievable solution for communicating the nature and extent of alignment between the two systems. Instead, the SPE and CRIRSCO proposed the development of a 'mapping document' that can explain the similarities between the systems and the terminologies used within each of the industries.
22. In March 2008, at the research project's fifth education session, representatives of the SPE and CRIRSCO presented their completed report to the Board, which included a 'mapping' of the oil & gas and minerals reserve and resource definitions to illustrate the extent of comparability between the respective definitions. The overall findings from the SPE/CRIRSCO review were consistent with the findings presented to the Board in June 2007. After discussing the report with SPE and CRIRSCO representatives, the Board expressed the view that the mapping report would be useful for developing accounting and disclosure models for reserves and resources that are comparable across minerals and oil & gas. The Board expressed its appreciation for the time and effort that members of the SPE and CRIRSCO had devoted to completing this comprehensive comparison of their respective definitions and for preparing the mapping report.
23. During the March 2008 session, the Board also had a further discussion on which definitions of minerals and oil & gas reserves and resources might be suitable for use in an IFRS. The Board expressed the view that the research project's Discussion Paper should identify the SPE and CRIRSCO definition and classification systems as representing the preferred sets of definitions for use in supporting accounting and disclosure requirements for minerals and oil & gas reserves and resources. Earlier in this session, staff of the U.S. Securities and Exchange Commission (SEC) provided the Board with an overview of the SEC Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves, which closed for comment in February 2008. The project team will be monitoring any future decisions that the SEC makes in relation to its Concept Release. In addition, the project team will also continue to monitor progress on the development of the United National Framework Classification for Fossil Energy and Mineral Resources.

Recognition and measurement of reserves and resources

24. At the Board's third education session, held in October 2006, the project team discussed the suitability of fair value as the measurement objective in accounting for minerals and oil & gas reserves and resources. Prior to this education session, the project team completed extensive consultations with the project's advisory panel and others on the measurement of reserve and resource volumes and values. The consultations helped the project team understand the process used to prepare reserve and resource estimates (both volume and value estimates), whether the estimates provide reliable information, and what types of volume and value information would be useful to users.

25. During the session, several concerns with estimating fair value for reserves and resources were identified, in particular:
- a. the uncertainties inherent in the assumptions required to estimate the volume and fair value of reserves and resources; and
 - b. the effort required to estimate fair value as at the reporting date for an entity's reserve and resource assets in time to meet financial reporting deadlines.
26. The Board acknowledged that there are difficulties in preparing fair value estimates of reserve and resource assets. However, it was noted that historical cost does not provide a relevant measurement basis for these assets. The Board therefore asked the project team to further research current value approaches as potential measurement bases. This research is to include consideration of other current value methodologies that contain as many attributes of fair value as possible whilst addressing the identified difficulties.
27. Following on from the outcomes of the October 2006 education sessions, further research was undertaken on identifying current value measurement approaches that may be able to be applied to minerals and oil & gas reserves and resources. Alternative current value measurement methodologies include:
- a. measurements that do not provide a fair value – for instance, value in use calculations;
 - b. measurements that are not performed each reporting period – for instance, fair value at initial recognition only, revaluations that are only performed when an indicator of either asset appreciation or impairment exists, or rolling the valuation forward by only updating some inputs to the valuation; and
 - c. measurements of a smaller unit of account – for instance, only valuing some categories of reserves and resources.
28. To inform the research on current value measurement, the project team developed a user survey to better understand the information needs of users involved in analysing minerals and oil & gas entities. The survey sought input on:
- a. how current value information on minerals and oil & gas reserves and resources included in financial statements might be used by users;
 - b. attributes that should be included in a current value measurement of a minerals or oil & gas deposit for financial reporting purposes for it to be useful to users;
 - c. information that should be disclosed in financial statements to provide support for a current value measurement;
 - d. how historical cost information on reserves and resources currently included in financial statements is used by users; and
 - e. usefulness of a current value measurement relative to historical cost measurement models.
29. A total of 34 user interviews were conducted with buy-side and sell-side analysts, debt rating agencies, lenders and venture capitalists from Australia, Canada, South Africa, the United Kingdom and the United States who specialise in analysing mining and oil & gas entities. As part of the user survey process, the project team also had informal discussions with some market and securities regulators.

30. At its fourth education session, held in June 2007, the Board considered the findings from the user survey – which were that:
- a. the financial statements and note disclosures provide some information that is necessary for users to make an informed investment decision in relation to a minerals or oil & gas entity – primarily information related to cash flow and current period expenditures – but the information provided in financial statements and note disclosures alone is not sufficient to meet the needs of analysts and much information is sourced elsewhere;
 - b. there is very limited interest in placing a valuation of reserves and resources (at current value or fair value) on the balance sheet;
 - c. there is limited interest in disclosing a valuation of reserves and resources (at current value or fair value);
 - d. measuring reserve and resource assets on the balance sheet according to a historical cost measurement model (e.g. successful efforts, full cost, area of interest) does not generate much useful information;
 - e. analysts generally would prefer more, and/or improved, disclosure of key valuation inputs so that those inputs could be incorporated into their own valuation models; and
 - f. directors sign off was generally identified as the preferred assurance or responsibility process that could be applied to the reporting of reserve information.
31. Four analysts also took part in the education session discussion. The discussion acknowledged the importance of the disclosure of reserve and resource information and that potential exists for promoting more consistent disclosure practices around the world. The discussion also focused on the limited usefulness that analysts would attach to a valuation of reserves and resources and also on what historical cost measurement was, and was not, useful for in the context of mineral or oil & gas reserves/resources – noting that it is mainly useful as an input for calculating return on capital employed type measures.
32. After discussing the survey findings, the Board indicated tentative support for the research project's Discussion Paper to include consideration of both a current value measurement model and a historical cost measurement model supplemented by detailed disclosure.
33. After the June 2007 session, the research then focused on the cross-cutting issues of selecting the unit of account and initial recognition, as these issues are relevant to the alternative measurement bases under consideration.
34. The initial recognition of assets relating to minerals or oil & gas reserve and resource assets and exploration properties was discussed with the Board at its March 2008 and June 2008 sessions. The research considered asset recognition from the perspective of the *Framework's* asset definition and recognition criteria. This contrasts with existing practice, whereby it is common for entities to capitalise costs or recognise them as expenses according to the different phases of upstream extractive activities, such as exploration and evaluation, development and production.
35. The economic resource, which relates to minerals or oil & gas, could be identified as three types of assets:
- a. legal rights, such as exploration rights or mineral rights;
 - b. information (or knowledge); and

- c. the physical minerals or oil & gas deposit.

These assets can be viewed as forming a continuum representing the maturing of upstream extractive activities from early stage prospecting and exploration activities through to the extraction of minerals or oil & gas from the ground.

36. However, rather than recognising each of these assets separately, the legal rights held at various stages along the continuum were identified as the assets that should be recognised. This is because it is the legal rights that provide an entity with the enforceable rights to use and exploit the information and the deposit.
37. Under this approach, a legal rights asset would be recognised when the rights are acquired. Following the recognition of a legal rights asset (either relating to exploration rights or mineral rights), information obtained from exploration and evaluation activities would be treated as an enhancement of the legal rights asset rather than a separate asset. This is because the information generates a better understanding of the economic resource that underlies the legal rights asset. As further information is obtained, uncertainty surrounding the potential and extent of future economic benefits that may reside in a minerals or oil & gas deposit should decrease. Arguably, as the level of uncertainty decreases, it may be possible to commence recognising the physical minerals or oil & gas deposit as the asset instead of the legal rights and information. However, it was acknowledged that the asset associated with a minerals or oil & gas deposit is the right to extract the minerals or oil & gas contained in the deposit and that this is the asset that should continue to be recognised. For the purposes of communicating information to users of financial reports regarding the uncertainty surrounding the minerals or oil & gas deposit to which the legal rights relate, it was noted that this should be achieved by asset presentation and the disclosure of reserve and resource information associated with the property rather than by identifying the minerals or oil & gas deposit as the asset.
38. Unit of account selection is also relevant to initial recognition. It was suggested that the unit of account that would apply during the exploration phase would initially be defined according to the exploration rights held. As more exploration and evaluation takes place, the size of the unit of account would contract to cover only the specific area(s) where detailed exploration and evaluation is taking place. During the development and extraction phases, the unit of account would be no greater than a contiguous area, or areas, for which the legal rights are held and which is managed separately and would be expected to generate largely independent cash flows. The other dimension to unit of account selection is to determine which infrastructure and equipment assets (if any) that are associated with a developed property should be included in the same unit of account as the legal rights asset. On this point, it was noted that the components approach in IAS 16 *Property, Plant and Equipment* may be useful in considering which assets should be recognised separately from the legal rights.

Disclosure of reserves and resources and related information

39. In September 2008, the Board considered the project team's research on the disclosure of information relating to minerals and oil & gas extractive activities. The Board indicated that users' needs should be the primary driver for identifying the types of disclosure that should be proposed in the Discussion Paper. This reflects the importance that users place on the disclosure of information relating to extractive activities, such as minerals and oil & gas reserve volumes. The Board also agreed that the Discussion Paper should propose that the same types of information are disclosed across the minerals and oil & gas industries. This does not mean that the disclosures presented need to be identical for both industries, but there should be greater consistency in disclosures provided. The research found that current disclosure practices for these activities are diverse. There are differences in the information that is disclosed across the minerals and oil & gas industry and across jurisdictions.

40. The Board also indicated that the Discussion Paper should consider any preparation and presentation issues associated with the types of disclosures being proposed. It noted that some of the disclosures being considered would represent a substantial change to existing disclosure practice in both industries. Furthermore, these disclosures are not identical to the disclosures proposed by the US Securities and Exchange Commission to modernise its oil & gas definition and disclosure requirements.

Types of disclosures under consideration

41. The following types of disclosures were discussed with the Board and will be included in the Discussion Paper.

(a) Proved and probable reserve volumes

42. Proved and probable reserve volumes should be disclosed, with proved reserve and probable reserve volumes separately identified. The disclosure of proved and probable reserves is proposed because they are regarded as the best estimate of economically recoverable minerals or oil & gas. Most financial reporting users surveyed by the project team also indicated that proved and probable reserve information should be disclosed.
43. The disclosure of reserve volumes that are attributable to subsidiaries and investments should be presented on the same basis as applies to the accounting for equity interests in other entities in consolidated financial statements. Existing practice in identifying the reserve volumes that are attributable to the shareholders in the parent entity varies depending on the jurisdiction and the industry, sometimes with only the entity's equity interest in the reserve volumes being disclosed regardless of whether the other entities are consolidated. The disclosure should also indicate the reserve volumes that are attributable to legal rights and provide the entity with a right to cash flows based on the volume of minerals or oil & gas produced rather than a right to the actual production. This is intended to apply to production sharing contracts and similar arrangements that exist in the oil & gas industry.
44. The disclosure of these volumes should be disaggregated by individual commodity type where a common unit of volume for multiple commodity types cannot be meaningfully derived or the commodity is subject to different risk attributes (e.g. extraction, processing and/or market risks) relative to other commodities. Accordingly, reserve volumes should be disclosed separately for most types of minerals and for oil, gas and oil sands volumes.
45. The disclosure of these volumes should also be disaggregated by geographical location, whereby the level of disaggregation is determined according to common geography-based risks that are significant to the entity. Strictly speaking, this would mean that a separate reserve estimate should be disclosed for each property due to the different geological risks that are likely to be associated with each mine or field. Practically, this will not always be feasible, especially in the oil & gas industry where some large entities have in the vicinity of 1000 individual fields. Therefore some level of aggregated volume disclosure may be necessary. Geographical disaggregation of reserve volumes at a country level is considered to provide relevant information due to the significance and prevalence of risks that are country-specific (e.g. taxation regime, legal and regulatory framework, governmental/sovereign risk). However, country-by-country disclosure may not always be the most useful aggregation basis. Sometimes limited or no aggregation should apply – for instance, disclosure by individual properties or groups of properties within the same geological area would be particularly relevant information if the reserve volumes are of high significance to the entity. In other cases, the aggregated disclosures may be more relevant if they are based on geological boundaries rather than political boundaries. An example might be the aggregation of North Sea reserves as a single disclosure unit rather than

potentially as three country-based disclosure units. Furthermore, sometimes aggregation on a continental basis may be appropriate, particularly if the reserve volumes attributable to individual countries are of limited significance relative to the entity's total reserve position. Accordingly, management may need to use its judgement to determine the level of disaggregation that should apply to the reserve disclosures.

(b) Key assumptions associated with the reserve estimates

46. An explanation of the key assumptions used in estimating reserve volumes should be disclosed. Market participant assumptions (e.g. commodity price assumptions) should be used in preparing these estimates (where possible). The fair value hierarchy establishes a process for selecting the most relevant inputs for fair value estimates by referring to Level 1, Level 2 and Level 3 inputs. It was noted that this process may also help to identify the assumptions that should be used in estimating reserve volumes.
47. A sensitivity analysis of the effect of changes in those assumptions should also be disclosed.

(c) An explanation of changes in the reserve volumes estimates from year to year

48. A disclosure that explains the changes in the entity's reserves between the current year and the preceding year should help users to obtain a better understanding of the nature and extent of estimation uncertainties associated with the reserves estimates. It should also assist users in evaluating the entity's financial performance for the current reporting period by identifying, and attributing volumes to, the significant causes for the change in an entity's reserves estimates – which could include production for the current period and new discoveries of reserves.
49. This explanation could be presented on a quantitative basis (i.e. a numerical reconciliation) or on a predominantly qualitative basis (i.e. a discussion of the main reasons for change with the volumes attributable to the change(s) being identified as part of the disclosure). The explanation format that provides the most decision useful information is expected to depend on the level of disaggregation associated with the reserve volume disclosure. Disclosure of reserve volumes at the property level (i.e. the mine or field) would make a predominantly qualitative explanation useful because the explanation could provide project-specific comments on the cause(s) for the change as well as quantifying the volumes attributable to the change in estimate. If reserve volumes are aggregated, this may make a narrative discussion of the reasons for change too complex to understand or too cumbersome to prepare, in which case a quantitative reconciliation may be more suitable.

(d) A current value measurement

50. Reserve volume disclosure is useful for indicating the amount of minerals or oil & gas that is expected to be economically recoverable, but it does not provide any indication of the amount of future cash inflows that those reserves might generate. Because of its relevance to understanding an entity's financial position, the Discussion Paper will propose that value-based information relating to reserve volumes should be disclosed.
51. This current value measurement would be similar to the standardised measure of oil & gas proved reserves currently required in the USA by SFAS 69 *Disclosures about Oil and Gas Producing Activities*. The project team is proposing that the current value would be measured using discounted cash flow techniques, only include future cash flows attributable to reserves (and therefore excluding resources and future exploration potential from the scope of the measurement), and would be based on some standardised, rather than market participant, assumptions. This should, to

some extent, reduce the variability associated with the current value measurement as well as reduce the time and cost associated with preparing the measurement. This type of current value measurement would not be an estimate of fair value.

52. The current value measurement should be disclosed in conjunction with an explanation of the key assumptions made, including standardised assumptions. A reconciliation of the changes in the current value measurement between the current year and the preceding year should also be provided. Subject to further cost/benefit considerations, the current value measurement should be provided for each geographical location to complement the information provided in the reserve volume disclosures.
53. This type of current value measurement disclosure would not be provided if the minerals or oil & gas assets are measured on the balance sheet at fair value or some other current value. Instead, disclosures similar to those required in the USA by paragraph 32 of SFAS 157 *Fair Value Measurements* should be made.

(e) Exploration, development and operating costs

54. Disclosing the exploration, development and production costs that were incurred in prior periods would provide information that can be used to determine performance measures such as return on capital employed. Because it would not be feasible to provide this cost information on a cumulative basis, it is proposed that this information is provided as a time series over a period of time (possibly five years) that is sufficient to be able to identify trends.
55. The disclosure of this cost information should allow users to calculate metrics such as cash costs per unit of product (e.g. cash cost per ounce of gold) or to perform finding and development cost analysis in the oil & gas industry.

Publish What You Pay

56. The Board noted that the Discussion Paper will also consider the disclosure proposals of the Publish What You Pay (PWYP) coalition of non-governmental organisations. Under the PWYP proposals, the financial reports of entities undertaking extractive activities would be required to include country-by-country disclosure of:
- a. payments made to host governments; and
 - b. other information that may be useful for making an assessment of the appropriateness of the amount of payments to host governments relative to the scale of operations that the company has within that country (e.g. production volumes and revenues, reserve and resource volumes).
57. The PWYP campaign aims to help citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the minerals and oil & gas industries. The PWYP coalition considers that the enhanced transparency provided by these disclosures would help to combat corruption, improve governance and promote sustainable development in these countries. The PWYP coalition has recommended that the IFRS should require this information to be disclosed because it offers one of the best mechanisms to create a global standard that will generate comparable information and maintain a 'level playing field' for entities.
58. These objectives of the PWYP proposals extend beyond the objectives of the general purpose financial reporting. For this reason, the Discussion Paper will consider the disclosure proposals from the perspective of whether, and to what extent, users of financial reports need this information in order to gain an adequate understanding of the future cash flows, and the risks to those future cash flows, that may be generated

by an entity engaged in extractive activities. The Discussion Paper will also consider whether entities have access to, and can reasonably provide, this information in disclosures in a financial report.

59. The Discussion Paper will consider the outcomes of a round-table discussion of the PWYP disclosure proposals that was held in September 2008. Four Board members and the project team participated in this discussion with representatives from the PWYP coalition, investors, mining and oil & gas companies, auditors, and the International Public Sector Accounting Standards Board. Following this round-table discussion, further consultation has taken place with some investors.

Contact information

The initial points of contact for the national standard setters undertaking the research project are:

Glenn Brady	Australia	+61 3 9617 7639	gbrady@iasb.com.au
Mark Walsh	Canada	+1 416 204 3453	mark.walsh@cica.ca
Aase Aamdal Lundgaard	Norway	+47 23 27 92 82	alundgaard@deloitte.no
Sue Ludolph	South Africa	+27 11 621 6703	suel@saica.co.za