

The SAIMM and GSSA will be hosting a public discussion and panel session to discuss and explore the principles contained in the IASB's Discussion Paper on Extractive Activities and its impact on industry codes, like SAMREC and SAMVAL

## The International Accounting Standards Board (IASB)

**Date: Thursday 22 July 2010**

**Time: 08:00–14:00**

**Venue: Johannesburg Stock Exchange Auditorium,  
One Exchange Square, Gwen Lane, Sandton**

### Booking

There is no cost to attend the discussion. Reservation of attendance is however essential. To reserve your seat please e-mail: [julie@saimm.co.za](mailto:julie@saimm.co.za)

To view the IASB Discussion paper, please visit [www.samcode.co.za](http://www.samcode.co.za)

### Programme

**Introduction: Riaan Davel, KPMG**

**Speaker: Riaan Davel**

#### Question 1—Scope of extractive activities

The project team proposes that the scope of an extractive activities IFRS should include only upstream activities for minerals, oil, and natural gas. Do you agree? Are there other similar activities that should also fall within the scope of an IFRS for the extractive activities? If so, please explain what other activities should be included within the scope and why?

**Speaker: Kevin Davies, AngloGold Ashanti**

#### Question 2—Approach

The project team proposes that there should be a single accounting and disclosure model that applies to extractive activities in both the minerals and oil & gas industries. Do you agree? If not, what requirements should be different for each industry and what is your justification for differentiating between the two industries?

**Speakers: Andy Clay, Venmyn**

#### Question 3—Definitions of minerals and oil and gas reserves and resources

The project team proposes the use of mineral reserve and resource definitions established by the Committee for Mineral Reserves International Reporting Standards and the oil & gas reserve and resource definitions established by the Society of Petroleum Engineers (in conjunction with other industry bodies) in an IFRS for the extractive activities. Do you agree? If not, how should minerals or oil & gas reserves and resources be defined for an IFRS?

**Speaker: Mike O'Brien, AngloGold Ashanti Limited**

#### Question 4—Minerals or oil & gas asset—recognition

The project team proposes that legal rights, such as exploration rights or extraction rights, should form the basis of the minerals or oil & gas asset. The asset is recognised when the legal rights are acquired. Information obtained from subsequent exploration and evaluation activities and development works undertaken to access the minerals or oil & gas deposit would both be treated as enhancements of the legal rights asset. Do you agree with this analysis for the recognition of a minerals or oil & gas asset? If not, what assets should be recognised and when should they be initially recognised?

**Speaker: Godknows Njowa, Venmyn**

#### Question 5—Minerals or oil & gas asset—unit of account selection

The project team's view is that the geographical boundary of the unit of account would initially be defined according to the exploration rights held. As exploration, evaluation and development activities take place, the unit of account will progressively contract until it becomes no greater than a single area, or group of contiguous areas, for which the legal rights are held and which is managed separately and would be expected to generate largely independent cash flows. In addition, the project team's view is that the components approach in IAS 16 Property, Plant and Equipment should apply in determining the items that are accounted for as a single asset.

Do you agree with this being the basis for selecting the unit of account of a minerals or oil & gas asset? If not, what should be the unit of account and why?

**Speaker: Kevin Davies, AngloGold Ashanti Limited**

#### Question 6—Testing exploration assets for impairment

The project team's view is that exploration assets should not be tested for impairment in accordance with IAS 36 Impairment of Assets. Instead, these assets should be tested for impairment whenever evidence is available to suggest that full recovery of the carrying amount of an exploration asset is unlikely. Under this view, the asset would not need to be tested for impairment if, at the reporting date, the evidence needed to make that assessment is not yet

available or is inconclusive. The project team also proposes that an entity should disclose why it considers that the carrying amounts of its exploration assets are not impaired.

Do you agree with the project team's view that IAS 36 should not be applied to exploration assets and that impairment testing is only necessary when evidence is available that suggests the carrying amount might be impaired? If not, what type of impairment test do you think should apply to exploration assets?

**Speakers: Cuthbert Musingwini, University of the Witwatersrand**

#### **Question 7—Minerals or oil & gas asset—measurement**

This chapter identifies current value (such as fair value) and historical cost as potential measurement bases for minerals and oil & gas assets. The research found that, in general, users believe that measuring these assets at either historical cost or current value would provide only limited information.

The project team's view is that these assets should be measured at historical cost and that, in addition, detailed disclosure about the entity's minerals or oil & gas assets should be provided to enhance the relevance of the financial statements (see Chapters 5 & 6).

In your view, what measurement basis should be used for minerals and oil & gas assets and why? This could include measurement bases that were not considered in the discussion paper. In your response, please explain how this measurement basis would satisfy the qualitative characteristics of useful financial reporting information.

**Speaker: Kevin Davies, AngloGold Ashanti Limited**

#### **Question 8—Disclosure objective**

- The project team proposes that the disclosure objectives for extractive activities are to enable users of financial reports to evaluate:-
- the value attributable to an entity's minerals or oil & gas assets;
- the contribution of those assets to current period financial performance; and
- the nature and extent of risks and uncertainties associated with those assets.

Do you agree with those objectives for disclosure? If not, what should be the disclosure objectives for extractive activities and why?

**Speakers: Alistair Moyes, Anglo American plc**

#### **Question 9—Disclosures that meet the disclosure objective** **The project team proposes that the types of information to be disclosed in the notes to the financial statements should include:**

- quantities of proved reserves and proved plus probable reserves, with the disclosure of reserve quantities presented separately by commodity and by material geographical areas;
- the main assumptions used in estimating reserves quantities, and a sensitivity analysis;
- a reconciliation of changes in the estimate of reserves quantities from year to year;
- a current value measurement that corresponds to reserves quantities disclosed with a reconciliation of changes in the current value measurement from year to year;
- separate identification of the exploration, development and operating cash flows for the current period and as a time series over a defined period (such as five years); and
- separate identification of production revenues by commodity.

Would disclosure of these categories of information provide relevant information to users? Are there any other types of information that should be disclosed? Are there any reasons why any of these categories of information should not be required to be disclosed as part of a complete set of financial statements?

#### **Question 10—Publish What You Pay disclosure**

The project team's research found that the disclosure of payments made to governments provides information that would be of use to capital providers in making their investment and lending decisions. It also found that providing information on certain categories of payments to governments might be difficult (and costly) for some entities, depending on the type of payment and the specifics of their accounting system.

In your view, is a requirement to disclose, in the notes to the financial statements, the payments made by an entity to governments on a country-by-country basis justifiable on cost-benefit grounds? In your response, please identify and quantify (if possible) the benefits and the costs associated with the disclosure of payments to governments on a country-by-country basis.

#### **Debate Session led by the Panel of Experts**

##### **Speakers and panel experts**

##### **Riaan Davel, KPMG**

Riaan has been actively involved as the SAICA representative on the IASB's Extractive Activities Project over the last 7 years. He is a partner in KPMG's Technical Department and is also audit partner for clients in the Energy and Natural Resources Business Unit of KPMG.

##### **Andy N Clay, Venmyn**

Andy has extensive experience in the minerals industry, from field geology, research, and mineral resource management to commercial due diligence and evaluation of a wide range of local and international mineral assets. His experience includes working with commercial banks and financial institutions on transactions in the minerals industry, and has been involved in the preparation of numerous codes and rules for compliance and reporting in the public domain.

##### **Godknows Njowa, Venmyn**

Mineral asset valuation, compliance and public reporting of mineral assets for the various stock exchange jurisdictions are Godknows' core focus areas. He has consolidated his expertise in the detailed financial valuation of mineral and mining projects. Godknows has a special interest in the public reporting of mineral assets, mineral asset valuation and compliance.

##### **Cuthbert Musingwini, University of the Witwatersrand**

Cuthbert currently lectures at the University of the Witwatersrand in the area of mine financial valuation, decision making for mining investments and applied operations research. In his consulting role, Cuthbert has participated in projects on technical due diligence and mineral property valuation in gold and industrial minerals.

##### **Kevin Davies, AngloGold Ashanti Limited**

Kevin Davies is the head of the Accounting technical department of AngloGold Ashanti. His role involves the overall co-ordination of technical accounting opinions and accounting application training under IFRS and US GAAP to all 21 operations in 10 countries. Reporting full financial statements in IFRS and US GAAP, Kevin has insights into the accounting and regulatory issues facing corporates who operate in multiple jurisdictions.

##### **Alastair Moyes, Anglo American plc**

He has 33 years extensive experience in geology and geological research, and worked for the British Antarctic Survey before moving to the South African National Antarctic programme, the University of the Witwatersrand, and Gold Fields South Africa. Alastair has worked in the Anglo Technical Division, the Exploration Division, and Anglo Coal before moving recently to the Mineral Evaluation Resource Department.

##### **Mike O'Brien, AngloGold Ashanti Limited**

Mike is a geologist with 31 years experience in Mining Geology and Mineral Resource estimation gained while working for Anglo American and AngloGold Ashanti. He is currently the Deputy Chairperson of the SAMREC / SAMVAL Committee (SSC) and Chairperson of the SAMREC / SAMVAL Working Group (SSC-WG).