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| <p style="text-align: center;">REPORT ON</p> <p style="text-align: center;">THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)</p> <p style="text-align: center;">CONFERENCE</p> <p style="text-align: center;">Held on 22 July 2010 at the Johannesburg Stock Exchange Auditorium, Sandton, Johannesburg</p> |
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Introduction

Mike O'Brien

Mike O'Brien, chairman of the SAMREC and SAMVAL Working Groups, chaired the first session of the conference the purpose of which was to present the Working Groups' comments on the IASB's Discussion Paper on Extractive Activities.

The objective of the IASB document is to analyse the unique financial reporting characteristics of the extractive industry and identify a basis on which a financial reporting model can be developed. Ultimately this should result in whether or not the development of an IFRS for extractive industries is required and what this should comprise of.

The deadline for responses to its Discussion Paper is end July 2010.

Opening Address

Riaan Davel (Extractive Activities Research Project)

All JSE listed companies in South Africa have to comply with the JSE's listing rules and within these rules it is clearly stated that companies have to comply with international financial reporting standards (IFRS). Furthermore, Section 12 of the JSE rules links directly to the SAMREC and SAMVAL Codes. Accountants cannot, for example, define a mineral reserve or resource as it is not their area of expertise and they thus look to industry bodies to actually do the definition. The impact therefore of this definition will, in the future, impact all mineral companies in South Africa. Even non-listed entities are compelled to comply with South African statements of generally accepted accounting standards which are identical to the IFRS equivalent. It therefore follows that in the future smaller companies will have to report their results on mineral and gas assets in accordance with IASB requirements.

The main objective, when the IASB sets a standard, is to provide useful information for a wide range of users – mainly investors wanting to invest capital, equity and loans – to enable them to make informed decisions. There are two main pillars of information required: the information must be relevant (what can be earned) and it must be faithfully represented (reliable). The IASB scope identifies which activities it believes are unique or unusual or where it deems specific guidance is needed so that useful information can be provided.

In the case of extractive industries, which is an activity-based standard, the IASB stated that extractive activities involve exploring for and evaluating minerals or oil and gas deposits; developing the property to access the deposit or ore body and then producing (extracting) minerals, oil or gas. There is a separate accounting standard which deals with the revenues derived from these extractive activities. It is important to note that the IASB sets a principle-based standard which is very much in line with the SAMREC and CRIRSCO templates. These standards are not based on rules but on principle and the principle is applied, for example, by Competent Person(s) (CPs). Excluded from the IASB scope are down-stream activities such as beneficiation of product extracted from the activities.

A question which has arisen is: why not just apply another standard? There is a standard in accounting called "intangible assets" which deals with a research and development principle. If a pharmaceutical company researches a new drug this will fall into the scope of "intangible assets" – costs will be incurred with little idea of what the final outcome will be and whether or not any future economic benefits will be derived from the costs incurred. It has been suggested that within the extractive industry field exploration is akin to pharmaceutical research and therefore why can't the same "intangible asset" principle apply? It is widely believed that the risks and uncertainties attached to exploration within extractive industries are different; exploration risk, uncertainty over the quantities of minerals or oil and gas which can be physically extracted and, most importantly,

what proportion of those minerals, oil and gas can be extracted economically? The latter question is of vital importance to investors.

It is important to note that the Project Team which is spearheading the IASB scope does not see a difference between the activities of those in mineral extraction and those in oil and gas extraction. Oil and gas companies are exposed to the same kinds of risks and uncertainties as the mineral extraction industry is and whilst there will be difference in the detail, the team believes that one approach is possible.

Why Undertake This Research Project?

Presently there is very little guidance within accounting standards which account for these activities. IFRS 6 – Exploration for and Evaluation of Mineral Resources – was an interim standard. This was so because the IASB cannot complete its research before it has issued a standard but it had to provide some interim guidance and thus in 2004 South Africa, Europe and Australia adopted IFRS. The IASB had to complete its research but the end product is not as good as it should be as it allows options – if a company has capitalized or created an asset as a result of exploration activities it can continue that policy or it allows one to expense the exploration expenditure incurred. From a user point of view if one was to look at two companies doing exactly the same activities they could get two different sets of results stated either on the balance sheet or the income statement which makes comparability, which investors need to do, very difficult.

Many phases of the development and extraction of mineral resources are excluded from the scope of standards and this makes accounting policies used by companies difficult to apply as they need to get guidance on what standards are acceptable. However, the main reason why the project was undertaken is because there are no specific disclosure requirements within the IFRS – nothing forces a company to disclose anything on mineral resources or reserves from a financial reporting perspective. Listed companies are forced to do so by Section 12 of the JSE rules which states that a company has to produce a SAMREC-compliant reserve and resource statement.

During the Project Team's research most users of financial information stated that an asset, at its historical cost, is not relevant. The information does not give any indication, based on what has been capitalized during either exploration or development, what the future earning potential of that entity would be.

The IASB has a three-step approach before it issues a standard. Although this is a lengthy process it allows all players and interested parties to comment and have input into the standard. At the moment the following steps have been done:

1. Issuance of the Discussion Paper
2. Public consultations are currently underway

The response overall indicates that most interested parties want the project to continue and feel that the research undertaken thus far is moving in the right direction.

Key Research Questions:

- How should mineral and oil & gas reserves and resources be **defined**?
- When should an asset relating to mineral and oil & gas reserves and resources be **recognised** on the balance sheet?
- How should this asset be **measured**?
- What information about mineral and oil & gas reserves and resources should be **disclosed** in the financial report irrespective of what is recognised on the balance sheet or how the asset has been measured.

Definitions:

The team could not settle on one definition for minerals and oil and gas on a global level. Such a definition does not exist. The Project Team recommends using Petroleum Resource Management Systems (PRMS) for oil and gas for use in an IFRS and the CRIRSCO template for mining. The rationale behind using the PRMS and CRIRSCO Template is because they both have wide acceptance within their respective fields of operations; they are both broad and comprehensive in scope with **broad equivalence** between their key concepts. It is therefore felt they are capable of providing a platform for comparable accounting and disclosure requirements across both extractive industries. Although at detailed levels there are differences there are similarities at the principle level.

Asset Recognition:

Presently companies look mainly towards phases of activities – exploration is one activity, development another and production separate again. The research done by the team has concluded that an asset is: The **right** to explore, develop and extract minerals or oil and gas. The team further believes that an asset exists, conceptually, at an early stage – when an entity has secured the rights to exploration. In time this right remains during development and extraction and is **enhanced** (not necessarily increased in value) as more becomes known about the asset over time through exploration and evaluation activities. Even whilst the asset is being developed it is still being enhanced through the creation of infrastructure. Even additional rights enhance the asset i.e. a New Order Right gives the right to apply for a New Order Mineral Right. The right to extraction does not occur on day one. The further one moves along the process towards extraction and development, the more valuable the asset becomes.

Asset Measurement:

There are two main measurement models currently being used globally. The first is historical costs, which are verifiable but of limited relevance to the user of the information. There is little correlation between costs incurred and future economic benefits or cash flows generated by the initial spend. Users have stated clearly that historical costs on the balance sheet are not particularly useful information.

The other extreme is “fair value”, theoretically the most relevant measurement as it tells the user everything about future cash flows and probabilities. However, this model requires many subjective assumptions and estimate and takes a lot of time and effort to prepare.

The Project Team recommends the historical cost model. Users informed the team that they wouldn't use either model as outlined above because in the case of “fair value” they believed the model to be too subjective and too inclined to be “tweaked” to produce the result required and there is little understanding of the assumption used to provide useful financial information.

The historical cost model is less costly to prepare, easier to understand but is subject to impairment testing.

Disclosures:

The team could not get away from value – there seems to be no way in which a standard could be formulated without a user wanting some information on value. The team therefore recommends that for now values must be limited to proved and probable reserve quantities. In the South African context there is acceptance of having to disclose both reserve and resource figures but within the oil and gas environment resource disclosure is not common.

The team also suggests a current value measurement of reserves - not necessarily on the financial statements, but in the notes and using current value, not fair value. In essence it will be a simplified evaluation model. Users have indicated to the team that a stand-alone number is not useful but the year on year changes, based on those standardised assumptions, are very useful.

With regards to information on an entity's performance the key difference is when looking at the current performance of mineral, oil and gas company, the mineral reserve and resource reporting are almost secondary to other information. The key focus is that information becomes the primary aim, the building blocks of any financial reporting model. Changes would then be asked for, on a year on year basis, with regards to reserve values and quantities. Many companies already do this but there is no set requirement for companies to show these reconciliations. Users have informed the team that this information is extremely useful. Further useful information is that on production quantities and revenues along with exploration, development and production cash outflows. Finally, users want to understand sensitivity analyses: how sensitive is the reserve number, changes in prices, cost assumptions, discount rates etc.

Publish What You Pay (PWYP)

PWYP is concerned that resource wealth is not benefiting the citizens of many resource-rich developing countries. It wants a country-by-country disclose of payments to governments, reserve figures, production numbers – a governance-transparency focus. The US has passed a law which will make it mandatory for oil and gas and mining entities listed on the Securities Exchange to undertake such disclosures. The team believes that this information can help users to evaluate investments and reputational risk within a specific country but the main questions are: what is the cost of preparing this information on a country-by-country basis? Are there systems in place to produce the information? Does this information belong in an IFRS or are there not other initiatives that can run with PWYP's suggestion?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

QUESTION 1- SCOPE

Riaan Davel, KPMG

What is the scope of this standard? Should downstream activities be included in the scope of the standard?

What the Working Group has come up with is that overall it agrees with the scope: to cover all resources that are non-regenerative and would link that to something that requires a permit or

license to extract. This is aligned with what the Project Team came up with. It said that legal right to extract or explore that actually gives the entity the asset to start off with.

In the context of the right (permit/license) to extract the standard should include all activities that make it possible to actually sell or use the product. For example, coal can be used internally by an entity in a process, in a plant to manufacture oil. Would these activities be perceived as more down-stream activities than up-stream and thus fall within the scope of the standard? The Working Group felt that the standard must cover any activity that has an impact on the tenure, or granting, of the right. Overall the Working Group agrees with the scope but is asking for more clarification. How is the definition in SAMREC or CRIRSCO actually applied in practice? It has been suggested that if further beneficiation is required to get the right it should probably be in that unit of account, the same unit governed by the standard.

On regenerative resources e.g. geo-thermal, the Project Team believes that further research is required. At the moment geo-thermal is not within the scope of an industry code. The Project Team believes that the risks are different, a belief which is similarly held by the Working Group. Geo-thermal is more akin to a manufacturing process and thus does not have the same risk exposure as the current scope wants to cover. The Working Group therefore believes that geo-thermal is outside the scope of the standard but it should be researched further.

QUESTION 2 – APPROACH

Kevin Davies, Anglo Gold Ashanti

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. Despite differences within the extractive industries there are sufficient similarities for a single standard to apply. This is evidenced by the mapping process between CRIRSCO and SPE-ORGC. Some industry specific issues, such as contingent resources in oil and gas and inferred resources in minerals, can be resolved in a final document. Some further work may need to be undertaken to determine if the business risks are sufficiently different to provide for differences in the accounting model to be developed

QUESTION 3 – DEFINITIONS OF MINERALS AND OIL AND GAS RESERVES AND RESOURCES

Andy Clay, Venmyn

The Project Team proposes the CRIRSCO codes to define mineral resources and mineral reserves and SPE –PRMS for oil and gas.

The principle issues are that accountants have been seeking certainty and commonality on global definitions and there has been huge success in this regard by professional geologists and engineers. Minerals are a concentration of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction as long as there exists a legal right to the minerals and implied rights of ownership.

The key issue is the clarity on the issue of alternatives currently included in the CRIRSCO codes which still creates problems for quantity and quality: allowing companies to report exclusive and inclusive. If companies are not forced to quote on all of their resources inclusively then a consequence could be that a comparative valuation methodology, like value per unit, may not be reliable because of different disclosure methods. One alternative could be a new SSC proposal of

showing the reconciliation from Inclusive to Exclusive and to Reserves. If the valuation of inferred resources is eliminated then there could be a major problem. This issue is currently under discussion although a solution to part of the problem of inferred resource evaluation could be a preliminary assessment, which is allowed in Canada, which specifically does allow valuation by the cash flow method.

Although oil and gas don't value "undiscovered" assets, they are capable of reporting on these. However, this is not permitted in mining and minerals. There is one thorny issue, though, that must be considered: if inferred resources are valued then effectively modifying factors will be applied, converting these resources into an economic inferred resource.

Comment:

If you were to say that as part of the definition the point at which a contract is in place that describes when revenue starts flowing then you have to take into consideration logistical and all other aspects and you might end up with a qualified study report from a competent report much like a qualified audit report. That has significant implications for the owner of the reserve.

QUESTION 4 – MINERALS OR OIL AND GAS ASSET - RECOGNITION

Mike O'Brien, AngloGold Ashanti Limited

In Chapter 3 the Project Team proposes that legal rights, such as exploration rights or extraction rights, should form the basis of an asset referred to as a 'minerals or oil and gas property'. The property 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 and gas deposit would each be treated as enhancements of the legal rights.

The Working Group agrees with the Project Team's view that:

- a. the legal rights, such as exploration rights or extraction rights, should form the basis of the minerals or oil and gas asset and
- b. the asset should be initially recognised when the legal rights are acquired.

However, the Working Group and Project Team differ regarding information obtained from subsequent exploration and evaluation and development activities undertaken to identify or access the mineral or oil and gas deposit as *de facto* enhancements of the legal rights asset, resulting in asset recognition.

This is because the costs of acquiring such information do not necessarily reflect probable expectations of the future economic benefits of the asset. Alternatively, the Working Group believes that the costs of such activities (e.g., exploration, delineation and scoping, pre-feasibility and feasibility studies) would be evaluated separately for asset recognition from the asset represented by the legal rights (consistent with IAS 16 requirements for componentisation).

This approach would alleviate any practical application of when to recognise assets when dealing with exploration or legal rights, which take a variety of forms in countries throughout the world. The underlying asset definition should address the following key questions:

- a) Does the entity have enforceable rights that enable it to provide or deny/limit the access of others to the economic resource?
- b) Does the entity expect to realize positive economic value?

The Working Group recommends that the following indicators be considered as evidence that may support asset recognition in the mining industry as indicating that future economic benefits will flow to the entity:

- a) The **declaration** of the existence of resources and/or reserves with a reasonable level of confidence as to tonnage, grade and mineral content by a Competent Person, whose opinion is that future economic benefits could be expected (i.e., more likely than not).
- b) An **indicative offer** by a third party to acquire or enter into a farm-in arrangement, which would provide sufficient evidence that the fair value less costs to sell the property is greater than or equal to the total cost expected to be incurred.
- c) **Costs incurred subsequent** to the acquisition of the legal rights to an area with known mineral trends or reserves, which would support management's assertion that there is a high probability of successful exploration activities.
- d) Acquisition of an exploration property wherein **evidence that supported the transaction price** is sufficient to support the probability of future economic benefit and, accordingly, the capitalisation of subsequent exploration costs.

Finally, the Working Group suggests that an opportunity exists for the IASB to provide clarity with regard to classification of legal rights as tangible or intangible assets in its final standard on accounting for extractive industries. A reference is made in IAS 38 specific to legal rights being recognised as an intangible asset. However, accounting guidance in other jurisdictions has provided clarification that certain use rights may have characteristics of assets other than intangible assets. The Working Group recommends that the IASB consider a similar type clarification in its extractive industries standard.

QUESTION 5 – MINERALS OR OIL AND GAS ASSET – UNIT OF ACCOUNT SELECTION

Andy Clay

The Project Team's view is that the geographical boundary as the unit of account would initially be defined according to exploration rights. 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 a 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 of IAS 16, property, plant and equipment, should apply in terming the items that are accounted for as a single asset.

The question is: is it agreed that this be the basis for selecting the unit of account in minerals, oil and gas assets? If not what should the unit of account be and why?

Essentially, what is being looked at is the point at which an asset is recognised and sticking to rights seems to be the accepted route to take. The problem with looking at geographical boundaries is that in many cases large companies will actually aggregate their costs on a whole country instead of showing it has spent it on terms of individual projects within the country. Smaller exploration companies may be able to clearly identify exactly what they spend on. Again, there is a grey area as to what should be done.

The IAS 16 PP&E should apply. The function of the perspective of assets is that they are integral and inseparable from other assets in that unit of accounting. Essentially, if one is building or

installing infrastructure onto a site or property (this includes drilling) which then provides intellectual property, it is still an asset attached to that particular entity.

This relates to efforts in the allocation of expenditure to areas of success relative to areas of failure. It is well known that one may, by drilling, reduce the prospectivity of an entity. In the process of valuation there are ways of dealing with this in that prospectivity enhancement multiply can be less than one but the question is: when dealing with an aggregate area how does one reduce the area and then allocate the expense that was put over the whole area to that particular reduced area?

There should be specific links to legal rights but judgment will have to be exercised when aggregating or splitting a group of prospects for which one eventually ends up dropping ground – how much historical cost is attracted to the remaining pieces?

The Project Team proposes that a unit of account for extraction rights should have the following as a general guideline:

- A single area or a group of contiguous area
- Legal rights held by the entity
- Managed separately
- Generate independent cash flows (this is tricky as whilst in the exploration phase there could still be a fair amount of doubt over which portion will ultimately be the one that generates cash flows?)

In the process of determining whether a resource, even an inferred resource, has reasonable prospects for eventual economic extraction most companies run a notional early-stage cash flow on the project anyway, just to make sure that it can be brought to account. The fact that companies are doing this to justify any further expenditure, prospecting or raising more funds for the project means that the cash flow generation is being done, yet the SAMREC SAMVAL Codes prohibit this.

In Canada, using historical cost, you are not allowed to recognise expenses incurred on air fares and hotel costs. They only recognise monies spent on exploration, drilling, sampling, assaying etc. The question is: what should be expensed and capitalised?

Comment:

The IASB needs comfort and to be able to rely on the technical areas. In the valuation area we have a big problem. The local codes that we have in valuation, like SIMVAL, VALMIN and SAMVAL, are almost incompatible. Applying the different codes will cause confusion and it is difficult to separate resource and reserve classification for valuation. The various codes around the world are a bit leaderless and have no 'umbrella' body under which they preside. This is also an area that CRIRSCO could take up and explore/address.

QUESTION 6 – TESTING EXPLORATION ASSETS FOR IMPAIRMENT

Kevin Davies, AngloGold Ashanti Limited

What measurement model should be adopted? Consider

- (1) Historical cost;
- (2) Fair value
- (3) A mixed model

Historical cost

Historical cost is the current method used unless an acquisition has taken place when the "fair value" acquisition price is the starting point. It relies on impairment triggers which are already established for PP&E. It is known and understood and can be applied under regulatory rules. It does

not, however, always provide relevant information as it is often accumulated over a long period of time.

Fair value

Fair value is determined using current data and time-relevant information. It is already used for acquisition accounting but is expensive and time consuming to prepare and may not fit a regulatory timetable. Furthermore, it is often viewed as being non-objective and subject to bias. Fair value for reserves and resources may be impossible to calculate without a fixed end-point due the influence of modifying factors and users have indicated that they would prefer to use their own method of fair value rather than one influenced by company management.

A fair value model of measurement in the extractive industry scenario is more allied to the achievement of long-term gains and thus may not be suitable in determining performances over an annual reporting cycle. Finally, fair value data is not available for all minerals.

Mixed model

This type of measurement model would be difficult to implement as it is segment-specific which is not supported by those who formulate and set accounting standards. The only type of mixed model measurement which could be investigated would be one whereby extensive disclosures are required. There is support for an historical cost model coupled to extensive disclosure, specifically on reserves and resources.

QUESTION 7 – MINERALS OR OIL & GAS ASSET – MEASUREMENT

Cuthbert Musingwini, University of the Witwatersrand

What (value) measurement basis should be used for mineral and oil & gas assets and why?

The IASB Project Team's summary findings and views are:

- Current value (e.g. fair value) and historical cost are potential measurement bases
- Users of financial statements believe that historical cost or current value provides limited information
- IASB team recommends historical cost plus "detailed disclosure on the mineral assets"

The three possible measurement bases for mining assets:

- **Historical Cost:**
 - Cash or cash equivalents paid or fair value given up at time of acquisition
 - Financial statements can be prepared, audited and released to the market in a timely manner
 - Reliable, verifiable, and cost effective
 - Already supported by IFRS Framework
 - Economic benefits of underlying resources / reserves? Asset risk? Costs to extract resource?
 - Based on historical information, not current & no future insights, impairment test necessary (IAS36)
- **Current Value (CV)**
 - Based on future economic gains from owning the asset and existing disclosure information which must be detailed/extensive. Significant judgment required
 - Financial modeling assumptions (future commodity price, exchange rate, development costs, etc) to determine fair value vary from entity (analyst) to entity (analyst) depending on forward-looking view

- Management's view and information usually adjusted for preparer's own assumptions to arrive at fair value assessment
- Codes (SAMVAL, CIMVAL, VALMIN) available for guidance
- Variability, uncertainty of exploration, subjectivity and complexity (more time-consuming) a major hurdle

Mixture of Historical Cost & Current Value: use historical until such time when sufficient info enables CV

SAMVAL Code:

"For companies issuing annual reports or other summary reports the inclusion of all material information relating to Mineral Asset Valuation is recommended"

IASB Project Team recommendation:

Historical Cost + Detailed Disclosure (Implications for Extractive Industries IFRS standard)

Financial Reporting must provide information to enable a wide range of users in making economic decisions.

QUESTION 8 – DISCLOSURE OBJECTIVE

Kevin Davies

Disclosure objectives should enable users to evaluate:

- Value attributable to mineral or oil & gas assets
 - Contribution of the assets to current performance
 - Nature of risks and uncertainties associated with the assets
 - Disclosure of reserves and resources and the assumptions used would enable the objectives to be met and provide comparable information.
 - An annual reconciliation would assist in determining value contributed in current performance.
 - Disclosure of risks and uncertainties used in the preparation of data relevant to users would assist comparability
-

QUESTION 9 – DISCLOSURES THAT MEET THE DISCLOSURE OBJECTIVE

Alastair Moyes, Anglo American Plc

There are six main disclosures which the Project Team needs consensus on as to what should be disclosed in a company's financial statements

- a) **Reserves** - Quantities of proved reserves and proved plus probable reserves, with the disclosure of reserve quantities presented separately by commodity and by material geographical areas;
- b) **Main assumptions** - The main assumptions used in estimating reserves quantities, and a sensitivity analysis;

- c) **Reconciliation** - A reconciliation of changes in the estimate of reserves quantities from year to year;
- d) **Current value** - A current value measurement that corresponds to reserves quantities disclosed with a reconciliation of changes in the current value measurement from year to year;
- e) **Cash flows** - 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
- f) **Production revenues** - Separate identification of production revenues by commodity.

a. Reserves

“Quantities of proved reserves and proved plus probable reserves, with the disclosure of reserve quantities presented separately by commodity and by material geographical areas”.

- Already common practice, minimum requirement
- Extractive industries commonly report Mineral Resources in addition
- Requirement for a Competent Person to prepare estimates in CP Report

b. Main Assumptions

“The main assumptions used in estimating reserves quantities and sensitivity analyses.”

Mineral Reserve quantities

- 1) Pricing
 - historical price, management expectation, market participation assumption
 - commodity specific
 - commercially sensitive (no disclosure if “seriously prejudice the entity”)
- 2) Other
 - discount rate
 - foreign exchange rate, CPI, PPI
 - mining & processing methods
 - production rates
 - metallurgical recovery / yield

Sensitivity Analysis
Not supported (not cost justified)

c. Reconciliation

“A reconciliation of changes in the estimate of reserves quantities, from year to year.”

- The Working Groups agrees with the recommendation of disclosure of Reconciliation for Mineral Reserves
- Additional recommendation for reconciliation of Mineral Resources where reported
- Reconciliation consistency - recommended format

d. Current Value

“A current value measurement that corresponds to reserves quantities disclosed with a reconciliation of changes in the current value measurement from year to year.”

- WG does not agree with disclosure of current value
- sufficient information for evaluation
- debate on methodology; assumptions; qualified / competent valuers

e. Cash Outflows

“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).”

- Exploration Costs, Development Costs & Production Costs – already in place, clarify degree of granularity required
- Information presented on operating segment basis (management view)
- Consistent with period of time for related financial statements (2 years IFRS)

f. Production Revenues

“Separate identification of production revenues by commodity.”

- Production Revenues are already included under IFRS 8 *Operating Segments* subdivided by commodity & geographical areas

QUESTION 10 – “PUBLISH WHAT YOU PAY” (PWYP) DISCLOSURE ***Riaan Davel, KPMG***

This is a company with a government agenda around political, philosophical and tax types of issues. There is some usefulness in the asked for information particularly around reputational risk and company exposure. However, only a small portion of analysts and investors find the information useful. When you ask analysts and investors what they want, they will also say that they want ‘more information’ and PWYP is perhaps the way to provide this but it is not practical or cost beneficial.

- The Project Team’s research found that disclosure of payments to governments provides useful information
- Providing information on certain categories of payments may be difficult (and costly)

- Are payments, made by an entity on a country-by-country basis, justifiable on cost-benefit grounds?

Where have we ended up?

- Costs (and revenue) from each project should be clearly stated
- Should PWYP be housed within an IFRS standard?
- Rather be addressed by Extractive Industries Transparency Initiative (EITI)?
- Must tension between an entity and government be disclosed?

Ad hoc survey of delegates to the conference on the questions tabled in the Discussion Paper

Question 1: Scope - in terms of including only up-stream activities.

Majority response – yes.

Question 2: A single accounting model.

Response – what is required is two similar codes for reporting.

Question 3: Are we happy that the CRIRSCO and SPE codes that have been formulated are a solid platform?

Response - Yes.

Question 4: Recognition of an asset model from the point of the handing over of legal rights: is there anything else to add? Does everyone basically agree with the substance presented for question 4?

Response - Yes.

Question 5: Unit of account selection

No objections to what was presented.

Question 6: Impairment

No objections raised to what was tabled.

Question 7: Measurement

No consensus was reached on what measurement model should be used.

Question 8: Disclosure objective

No objections noted.

Question 9: Disclosure that meets the disclosure objective

No definite acceptance or rejection of the rationale tabled.

Question 10: PUBLISH WHAT YOU PAY

No comment.