



IFRS AT A GLANCE
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*



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ISSUES		SCOPE	DEFINITIONS		
<p>IFRIC 20 addresses the following issues:</p> <ul style="list-style-type: none"> ▶ When should a stripping-activity-asset be recognised? ▶ How should the stripping-activity-asset be measured initially? ▶ How should the stripping-activity-asset be measured subsequently? 		<p>The interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine.</p>	<p>Production phase - is not defined in IFRIC 20. Judgement is required.</p>		
ILLUSTRATIVE EXAMPLES					
RECOGNITION OF PRODUCTION STRIPPING COSTS AS AN ASSET		INITIAL MEASUREMENT			
<p>Costs that improve access to ore</p> <p>The benefit of improved access to ore qualifies for recognition as part of (a component of) an existing asset when:</p> <ul style="list-style-type: none"> ▶ It is probable that the future economic benefit (i.e. improved access to the ore body) associated with the stripping activity will flow to the entity ▶ The component of the ore body for which access has been improved can be identified ▶ The stripping activity costs can be reliably measured. <p>Such costs will be classified as a tangible or an intangible non-current asset according to the nature of the existing asset to which they relate.</p> <p>The stripping-activity-asset is specifically associated with the section of ore that becomes directly accessible as a result of the stripping activity.</p>		<p>The stripping-activity-asset is initially measured at cost:</p> <ul style="list-style-type: none"> ▶ Cost that are directly incurred to perform the stripping activity ▶ An allocation of directly attributable costs. <p>Costs associated with incidental operations occurring concurrently with stripping activity are not included in the cost of the stripping-activity-asset.</p> <p>When costs of the stripping-activity-asset and inventory produced are not separately identifiable, allocate costs based on a relevant production measure:</p> <ul style="list-style-type: none"> ▶ Calculated for the identified component of the ore body ▶ Used as a benchmark to identify the extent to which additional activity of creating future benefit has taken place. 			
<p>Costs that produce ore</p> <p>The benefits from stripping activities that are released in the form of inventory (ore) are recognised in accordance with IAS 2 Inventories.</p>	<p>Routine stripping costs</p> <p>Routine stripping costs that are not incurred as part of the stripping activities are accounted for as current costs of production in accordance with IAS 2.</p>	SUBSEQUENT MEASUREMENT			
		<p>Carried at cost or revalued amount, less depreciation (or amortisation), less accumulated impairment losses.</p>			
		<p>Method of depreciation (or amortisation)</p> <p>Rational and systematic basis, over the expected useful life of the specific section of the ore body that becomes directly accessible as a result of the stripping activities.</p> <p>The units-of-production method is applied unless another method is more appropriate.</p>	<p>Expected useful life of the specific section of the ore body</p> <p>Is likely to differ from the expected life of:</p> <ul style="list-style-type: none"> ▶ The mine; and/or ▶ The related life-of-mine assets. <p>This is because stripping activities will give access only to a portion of the total ore body.</p>	<p>Impairment</p> <p>Is accounted for in accordance with IAS 36 <i>Impairment of Assets</i>.</p>	

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For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

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