### IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

**Effective Date**

Periods beginning on or after 1 January 2013

**Issue**

- As at 1 January 2016
- IFRIC 20 addresses the following issues:
  - Is the definition of an asset met (for stripping activity costs incurred)?
  - 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?

**Scope**

- The interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine.

**Definitions**

- Production phase - is not defined in IFRIC 20. Judgement is required.
- Stripping activities - activities undertaken to gain access to a specific section of the ore body - more aggressive activities than routine waste clearing activities. It is planned in advance with a defined start-date, and forms part of the overall mine plan.

### Recognition of Production Stripping Costs as an Asset

#### Costs that improve access to ore

The benefit of improved access to ore qualifies for recognition as part of a component of an existing asset when:

- 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.

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.

The stripping-activity-asset is specifically associated with the section of ore that becomes directly accessible as a result of the stripping activity.

#### Costs that produce ore

The benefits from stripping activities that are released in the form of inventory (ore) are recognised in accordance with IAS 2 Inventories.

<table>
<thead>
<tr>
<th>Costs that produce ore</th>
<th>Routine stripping costs</th>
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</thead>
<tbody>
<tr>
<td>The benefits from stripping activities that are released in the form of inventory (ore) are recognised in accordance with IAS 2 Inventories.</td>
<td>Routine stripping costs are not incurred as part of the stripping activities accounted for as current costs of production in accordance with IAS 2.</td>
</tr>
</tbody>
</table>

### Initial Measurement

- The stripping-activity-asset is initially measured at cost:
  - Cost that are directly incurred to perform the stripping activity
  - An allocation of directly attributable costs.
- Costs associated with incidental operations occurring concurrently with stripping activity are not included in the cost of the stripping-activity-asset.
- When costs of the stripping-activity-asset and inventory produced are not separately identifiable, allocate costs based on a relevant production measure:
  - 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.

### Subsequent Measurement

- Carried at cost or revalued amount, less depreciation (or amortisation), less accumulated impairment losses.
- Method of depreciation (or amortisation):
  - 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.
- Expected useful life of the specific section of the ore body:
  - Is likely to differ from the expected life of:
    - The mine; and/or
    - The related life-of-mine assets.
- This is because stripping activities will give access only to a portion of the total ore body.
- Impairment is accounted for in accordance with IAS 36 Impairment of Assets.

### Transition

- IFRIC 20 is applied retrospectively
- Pre-existing stripping-activity-assets are reclassified as a component of the asset to which the stripping activity relates, and depreciated (or amortised) - as detailed above
- If there is no identifiable section of the ore body to which that component can be directly associated, it is recognised in retained earnings at the beginning of the earliest period presented.

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- The units-of-production method is applied unless another method is more appropriate.
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