



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



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

ISSUES	SCOPE	DEFINITIONS
<p>IFRIC 20 addresses the following issues:</p> <ul style="list-style-type: none"> <li>▶ When should a stripping-activity-asset be recognised?</li> <li>▶ How should the stripping-activity-asset be measured initially?</li> <li>▶ How should the stripping-activity-asset be measured subsequently?</li> </ul>	<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><b>Production phase</b> - is not defined in IFRIC 20. Judgement is required.</p>

## ILLUSTRATIVE EXAMPLES












RECOGNITION OF PRODUCTION STRIPPING COSTS AS AN ASSET		INITIAL MEASUREMENT				
<p><b>Costs that improve access to ore</b></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"> <li>▶ 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</li> <li>▶ The component of the ore body for which access has been improved can be identified</li> <li>▶ The stripping activity costs can be reliably measured.</li> </ul> <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><b>Routine stripping costs</b></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>	<p>The stripping-activity-asset is initially measured at cost:</p> <ul style="list-style-type: none"> <li>▶ Cost that are directly incurred to perform the stripping activity</li> <li>▶ An allocation of directly attributable costs.</li> </ul> <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"> <li>▶ Calculated for the identified component of the ore body</li> <li>▶ Used as a benchmark to identify the extent to which additional activity of creating future benefit has taken place.</li> </ul>	<p><b>SUBSEQUENT MEASUREMENT</b></p> <p>Carried at cost or revalued amount, less depreciation (or amortisation), less accumulated impairment losses.</p> <table border="1" data-bbox="966 797 1854 1000"> <tr> <td data-bbox="966 797 1257 1000"> <p><b>Method of depreciation (or amortisation)</b></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> </td> <td data-bbox="1257 797 1564 1000"> <p><b>Expected useful life of the specific section of the ore body</b></p> <p>Is likely to differ from the expected life of:</p> <ul style="list-style-type: none"> <li>▶ The mine; and/or</li> <li>▶ The related life-of-mine assets.</li> </ul> <p>This is because stripping activities will give access only to a portion of the total ore body.</p> </td> <td data-bbox="1564 797 1854 1000"> <p><b>Impairment</b></p> <p>Is accounted for in accordance with IAS 36 <i>Impairment of Assets</i>.</p> </td> </tr> </table>	<p><b>Method of depreciation (or amortisation)</b></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><b>Expected useful life of the specific section of the ore body</b></p> <p>Is likely to differ from the expected life of:</p> <ul style="list-style-type: none"> <li>▶ The mine; and/or</li> <li>▶ The related life-of-mine assets.</li> </ul> <p>This is because stripping activities will give access only to a portion of the total ore body.</p>	<p><b>Impairment</b></p> <p>Is accounted for in accordance with IAS 36 <i>Impairment of Assets</i>.</p>
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# Contact

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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