

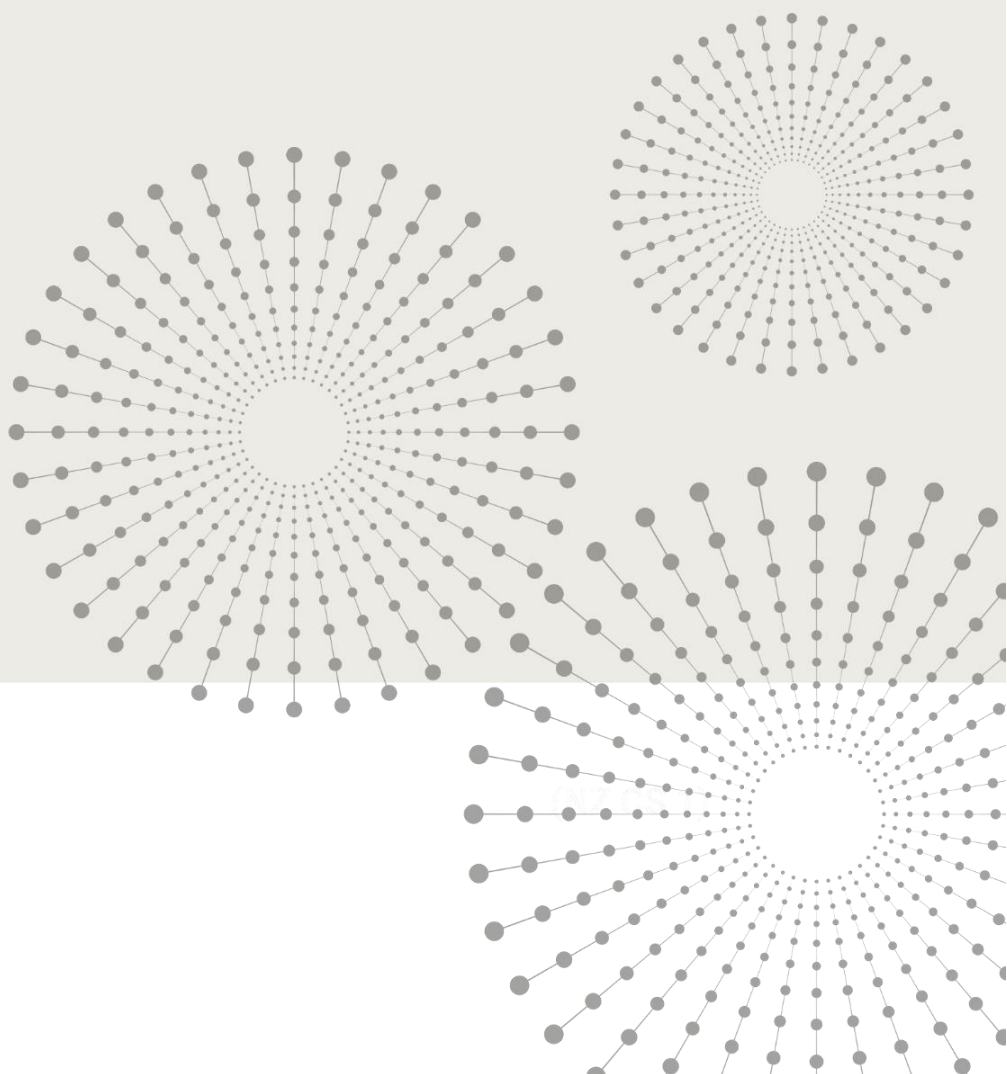
Stripping Costs in the Production Phase of a Surface Mine

Proposed amendments to PBE IPSAS 12 *Inventories*

Exposure Draft

Submissions close 30 September 2025

July 2025





NZASB EXPOSURE DRAFT 2025-8

Stripping Costs in the Production Phase of a Surface Mine ([Proposed] Amendments to PBE IPSAS 12 *Inventories*)

Issued [date]

This Tier 1 and Tier 2 [draft] PBE amending Standard is based on *Stripping Costs in the Production Phase of a Surface Mine* (Amendments to IPSAS 12) issued by the International Public Sector Accounting Standards Board (IPSASB) which in turn are aligned with IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine*. This [draft] amending Standard provides interpretive guidance when to capitalise or expense costs incurred to remove waste material in surface mining operations.

In finalising this [draft] Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This [draft]¹ amending Standard was issued on [date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The [draft] amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

Commencement and application

The [draft] amending Standard has a mandatory date of 1 January 2027, meaning it must be applied by Tier 1 and Tier 2 public benefit entities (PBEs) for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this [draft] Standard takes effect – refer to paragraphs 52.7 – 52.7.3 of this [draft] amending Standard.

¹ References to “this amending Standard” throughout this Exposure Draft should be read as referring to “this [draft] amending Standard”.

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Part A – Introduction

This amending Standard sets out amendments to PBE IPSAS 12 *Inventories*. The amendments are based on *Stripping Costs in the Production Phase of a Surface Mine* (Amendments to IPSAS 12) issued by the International Public Sector Accounting Standards Board (IPSASB) which in turn are aligned with IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine*. This amending Standard provides interpretive guidance when to capitalise or expense costs incurred to remove waste material in surface mining operations.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 public sector public benefit entities.

Tier 2 public benefit entities are required to comply with all the requirements in this Standard.

Part C – Amendments to PBE IPSAS 12 *Inventories*

Paragraphs 52.7 – 52.7.3, 52A-52C and Appendix A are added. The heading above paragraph 52.7 is amended. The headings above paragraphs 52.7 and 52A are added. New text is underlined and deleted text is struck through.

Effective Date Commencement, Application and Transition

Commencement and Application

...

Stripping Costs in the Production Phase of a Surface Mine

52.7. The amending Standard *Stripping Costs in the Production Phase of a Surface Mine*, issued in [month, year] added Appendix A. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs 52.7.1-52.7.3. An entity that applies those amendments to an 'early adoption accounting period' shall disclose that fact.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

52.7.1 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on [date] and takes effect on [date].

Accounting period in relation to which the amending Standard commences to apply (section 28 Financial Reporting Act 2013)

52.7.2 The accounting periods in relation to which this amending Standard commences to apply are:

- (a) For an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.
- (b) For any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

52.7.3 In paragraph 52.7.2:

Early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period.

Early adoption accounting period means an accounting period of the early adopter:

- (a) That begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) For which the early adopter:

(i) First applies this amending Standard in preparing its financial report; and

(ii) Discloses in its financial report for that accounting period that this amending Standard has been applied for that period.

Mandatory date means 1 January 2027.

Transition

52A. An entity shall apply Appendix A to production stripping costs incurred on or after the beginning of the earliest period presented.

52B. As at the beginning of the earliest period presented, any previously recognised asset balance that resulted from stripping activity undertaken during the production phase ('predecessor stripping asset') shall be reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be depreciated or amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates.

52C. If there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognised in opening accumulated surplus or deficit at the beginning of the earliest period presented.

Appendix A**Stripping Costs in the Production Phase of a Surface Mine**

This Appendix is an integral part of PBE IPSAS 12.

Introduction

- A1. In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'.
- A2. During the development phase of the mine (before production begins), stripping costs are usually capitalised as part of the depreciable cost of building, developing and constructing the mine. Those capitalised costs are depreciated or amortised on a systematic basis, usually by using the units of production method, once production begins.
- A3. A mining entity may continue to remove overburden and to incur stripping costs during the production phase of the mine.
- A4. The material removed when stripping in the production phase will not necessarily be 100 per cent waste; often it will be a combination of ore and waste. The ratio of ore to waste can range from uneconomic low grade to profitable high grade. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste. There can therefore be two benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.
- A5. This Appendix considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

Scope

- A6. This Appendix applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').
- A7. This Appendix addresses the following issues:
- (a) Recognition of production stripping costs as an asset;
 - (b) Initial measurement of the stripping activity asset; and
 - (c) Subsequent measurement of the stripping activity asset.

Application of PBE IPSAS 12 to Stripping Cost in the Production Phase of a Surface Mine**Recognition of production stripping costs as an asset**

- A8. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with the principles of PBE IPSAS 12 *Inventories*. To the extent the benefit is improved access to ore, the entity shall recognise these costs as a non-current asset, if the criteria in paragraph A9 below are met. This Appendix refers to the non-current asset as the 'stripping activity asset'.
- A9. An entity shall recognise a stripping activity asset if, and only if, all of the following are met:
- (a) It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
 - (b) The entity can identify the component of the ore body for which access has been improved; and
 - (c) The costs relating to the stripping activity associated with that component can be measured reliably.
- A10. The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset. In other words, the stripping activity asset will be accounted for as part of an existing asset.
- A11. The stripping activity asset's classification as a tangible or intangible asset is the same as the existing asset. In other words, the nature of this existing asset will determine whether the entity shall classify the stripping activity asset as tangible or intangible.

Initial measurement of the stripping activity asset

A12. The entity shall initially measure the stripping activity asset at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. Some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned. The costs associated with these incidental operations shall not be included in the cost of the stripping activity asset.

A13. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the entity shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on a relevant production measure. This production measure shall be calculated for the identified component of the ore body and shall be used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. Examples of such measures include:

- (a) Cost of inventory produced compared with expected cost;
- (b) Volume of waste extracted compared with expected volume, for a given volume of ore production; and
- (c) Mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.

Subsequent measurement of the stripping activity asset

A14. After initial recognition, the stripping activity asset shall be carried, in the same way as the existing asset of which it is a part, at either its:

- Cost less any accumulated depreciation or amortisation and less any accumulated impairment losses, or
- Revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation or amortisation and less any subsequent accumulated impairment losses.

A15. The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

A16. The expected useful life of the identified component of the ore body that is used to depreciate or amortise the stripping activity asset will differ from the expected useful life that is used to depreciate or amortise the mine itself and the related life-of-mine assets. The exception to this are those limited circumstances when the stripping activity provides improved access to the whole of the remaining ore body. For example, this might occur towards the end of a mine's useful life when the identified component represents the final part of the ore body to be extracted.

Paragraph BC6 and the related heading are added. For ease of reading, new text is not underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 12

...

Stripping Costs in the Production Phase of a Surface Mine

BC6. IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* issued by IASB in October 2011 provided interpretive guidance when to capitalise or expense costs incurred to remove waste material in surface mining operations. The IPSASB subsequently made equivalent amendments to IPSAS 12 *Inventories*, by issuing amending standard *Stripping Costs in the Production Phase of a Surface Mine* in November 2024. The NZASB therefore made equivalent amendments to PBE IAS 12, by issuing *Stripping Costs in the Production Phase of a Surface Mine* in [month, year].