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This standard was published in the *Gazette* on 19 June 2026 and takes effect on 17 July 2026. There is an [explanatory note](#) at the end of this standard that includes an explanation of how and from when this standard operates.

Stripping Costs in the Production Phase of a Surface Mine – Amendments to PBE IPSAS 12 Inventories

This standard is issued under section 12(a) of the Financial Reporting Act 2013 by the New Zealand Accounting Standards Board:

- (a) acting under delegated authority of the External Reporting Board (given in accordance with section 73 of the Crown Entities Act 2004); and
- (b) after complying with section 22 of the Financial Reporting Act 2013.

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Title

0.1 This standard is the Stripping Costs in the Production Phase of a Surface Mine – Amendments to PBE IPSAS 12 Inventories.

Commencement

0.2 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019 (see section 27 of the Financial Reporting Act 2013).

Principal standards

0.3 This standard amends the following principal standards:

- Public Benefit Entity International Public Sector Accounting Standard 12 *Inventories* (PBE IPSAS 12).

How amendments are made

0.4 In this standard, text in the principal standard is deleted or inserted as follows:

- (a) text that is shown as ~~struck-out~~ is deleted from the stated provision of the principal standard
- (b) text that is shown as underlined is inserted into the provision, or is inserted as a new provision, of the principal standard

Any other text included in this standard is only for the purposes of identifying these amendments within the principal standards.

Application

0.5 The accounting periods in relation to which this 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**.

0.6 In paragraph 0.5:

Early adopter means a reporting entity that applies this 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 standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) For which the early adopter:
 - (i) First applies this standard in preparing its financial report; and
 - (ii) Discloses in its financial report for that accounting period that this standard has been applied for that period.

Mandatory date means 1 January 2027.

Amendments to PBE IPSAS 12 *Inventories*

Heading before paragraph 51 amended

Effective Date Commencement, Application and Transition

Commencement and Application

Paragraphs 52.7 and related heading added

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 – Amendments to PBE IPSAS 12 Inventories*, issued in June 2026 added Appendix A and paragraphs 52A – 52C. For commencement and application date provisions refer to paragraphs 0.2, 0.5 and 0.6 of *Stripping Costs in the Production Phase of a Surface Mine – Amendments to PBE IPSAS 12 Inventories*. An entity that applies that amending standard for an early adoption period under that amending standard must disclose that fact when reporting in relation to that period.

Paragraphs 52A – 52C and related heading added after paragraph 52.7

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 (paragraphs A1 – A16 and the related headings) added after paragraph 53

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.

Issued at Wellington on 15 June 2026

Dr Carolyn Cordery

Chair

New Zealand Accounting Standards Board acting under delegated authority of the External Reporting Board

EXPLANATORY NOTE AND OTHER INFORMATION

This note and other information is not part of the standard

Explanatory note

This standard is the Stripping Costs in the Production Phase of a Surface Mine – Amendments to PBE IPSAS 12 Inventories.

The amendments to PBE IPSAS 12 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 standard provides interpretive guidance when to capitalise or expense costs incurred to remove waste material in surface mining operations.

This standard applies to accounting periods that begin or after 1 January 2027 unless the reporting entity is an early adopter.

This standard is accompanied by amendments to the Basis for Conclusions on PBE IPSAS 12, which explain why the New Zealand Accounting Standards Board amended PBE IPSAS 12. The Basis for Conclusions accompanies, but is not part of, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*, and is available on the XRB website.

The paragraph numbering within this Amendment Standard refers to the paragraph numbering of the Principal Standard as issued. The footnote numbering within this Amendment Standard may be adjusted consecutively rather than referring to the footnote numbering of the Principal Standard as issued. Accordingly, some paragraph and footnote numbering may not align with the compilation of the standard as published from time to time by the XRB on its website.

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Minimum Legislative Information

This standard is secondary legislation published under the Legislation Act 2019.

Title	Stripping Costs in the Production Phase of a Surface Mine – Amendments to PBE IPSAS 12 Inventories
Principal or amendment	Amendment
Consolidated version	No
Empowering Act and provisions	Section 12(a) of the Financial Reporting Act 2013
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Administering agency	External Reporting Board
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