SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL)

SFRS(I) INT 20
Stripping Costs in the Production Phase of a Surface Mine

This Interpretation is applicable for annual reporting period beginning on 1 January 2022.

CONTENTS

SFRS(I) Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (SFRS(I) INT 20) is set out in paragraphs 1–16 and appendices A–B. SFRS(I) INT 20 should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable[1]. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s[2] shall:

(A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and

(B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 20 *Stripping Costs in the Production Phase of a Surface Mine* is equivalent to IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. An entity that complies with SFRS(I) INT 20 can simultaneously comply with IFRIC 20.

1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

SFRS(I) Interpretation 20
Stripping Costs in the Production Phase of a Surface Mine

References

- *Conceptual Framework for Financial Reporting*[1]
- SFRS(I) 1-1 *Presentation of Financial Statements*
- SFRS(I) 1-2 *Inventories*
- SFRS(I) 1-16 *Property, Plant and Equipment*
- SFRS(I) 1-38 *Intangible Assets*

Background

1 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'.

2 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.

3 A mining entity may continue to remove overburden and to incur stripping costs during the production phase of the mine.

4 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.

5 This Interpretation 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

6 This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').

Issues

7 This Interpretation addresses the following issues:

(a) recognition of production stripping costs as an asset;

(b) initial measurement of the stripping activity asset; and

IFRS.1 The reference is to the Conceptual Framework for Financial Reporting, issued [by the IASB] in 2010 and in effect when the Interpretation was developed.

(c) subsequent measurement of the stripping activity asset.

Consensus

Recognition of production stripping costs as an asset

8 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 SFRS(I) 1-2 *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 9 below are met. This Interpretation refers to the non-current asset as the ‘stripping activity asset’.

9 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.

10 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.

11 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

12 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.

13 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

14 After initial recognition, the stripping activity asset shall be carried at either its cost or its revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

15 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.

16 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.

Appendix A
Effective date and transition

This appendix is an integral part of the Interpretation and has the same authority as the other parts of the Interpretation.

IFRS. A1 An entity shall apply [IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (issued by IASB in October 2011)] for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact.

IFRS. A2 An entity shall apply this Interpretation to production stripping costs incurred on or after the beginning of the earliest period presented.

IFRS. A3 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.

IFRS. A4 If there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognised in opening retained earnings at the beginning of the earliest period presented.

Appendix B
Amendments to other standards

IFRS. *The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2013. If an entity applies [IFRIC 20] for an earlier period these amendments shall be applied for that earlier period.*

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The amendments contained in this appendix have been incorporated into the relevant SFRS(I)s.