

| ISSUES  | SCOPE   | DEFINITIONS   |
|---|---|---|
| <p>NZ 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>“Production Phase” - is not defined in NZ IFRIC 20. Judgement is required.</p> <p>“Stripping activities” - activities undertaken to gain access to a specific section of the ore body - more aggressive than routine waste clearing activities. It is planned in advance with a defined start-date, and forms part of the overall mine plan.</p> |

## CONSENSUS

| 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 the 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 intangible non-current asset according to the nature of the existing asset to which they relate.</p> <p>The stripping-activity-asset shall be specifically associated with the section of ore that becomes directly accessible as a result of the stripping activity.</p> |  | <p>The stripping-activity-asset is initially measured at cost:</p> <ul style="list-style-type: none"> <li>• Costs that are directly incurred to perform the stripping activity; and</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; and</li> <li>• Used as a benchmark to identify the extent to which additional activity of creating future benefit has taken place.</li> </ul> |  |   |
| <b>Costs that produce ore</b>   | <b>Routine stripping costs</b>   | SUBSEQUENT MEASUREMENT   |  |   |
| <p>The benefits from stripping activities that are released in the form of inventory (ore) are recognised in accordance with NZ IAS 2 - <i>Inventories</i>.</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 NZ IAS 2.</p> | <p>Carried at cost or revalued amount, less depreciation (or amortisation), less accumulated impairment losses.</p>  |  |   |
|   |  | <b>Method of depreciation (or amortisation)</b>  | <b>Expected useful life of the specific section of the ore body</b>  | <b>Impairment</b>   |
|   |  | <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 <b>units-of-production method</b> is applied unless another method is more appropriate.</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>Is accounted for in accordance with NZ IAS 36 - <i>Impairment of Assets</i>.</p> |

| TIER 2 NZ IFRS RDR REPORTERS   |
|--|
| NZ IFRS RDR Reporters are required to comply with NZ IFRIC 20 in full. |

Although every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular facts and circumstances of the situation.  
© 2020 BDO New Zealand Limited. All Rights Reserved. For more information visit [www.bdo.nz](http://www.bdo.nz)