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

This new interpretation, issued by the International Accounting Standards Board in October 2011, clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 applies to the costs incurred to remove mine waste materials ("overburden") to gain access to mineral ore deposits during the production phase of a surface mine.

The main features of IFRIC 20 are as follows:

- If the benefit from the stripping activity is realized in the form of inventory produced, the entity accounts for the costs in accordance with IAS 2 *Inventories*. If the benefit is improved access to the ore, the entity recognizes the costs as an addition to an existing asset.
- The stripping activity asset is measured in the same way as the existing asset of which it is a part (i.e., at cost or revalued amount less depreciation or amortization and less impairment losses).
- Depreciation or amortization is calculated 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 interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.