



Exposure Draft (ED) 86 and ED 87 – *Exploration, Evaluation and Extraction of Mineral Resources*

This summary provides an overview of ED 86, *Exploration for and Evaluation of Mineral Resources*, and ED 87, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*

Project Objective:

The objective of this package of EDs is to propose guidance:

- For the exploration for and evaluation of mineral resources. This includes the measurement, presentation and disclosure requirements for exploration and evaluation assets recognized; and
- To account for the benefits that may arise from the waste removal activity of a surface mine. This waste removal activity is known as ‘stripping’.

Project Stage:

The International Public Sector Accounting Standards Board® (IPSASB®) issued ED 86 and ED 87 in January 2024.

The IPSASB seeks feedback on ED 86 and ED 87 to guide it in developing a final International Public Sector Accounting Standard® (IPSAS®) on the accounting for exploration and evaluation expenditure.

Comment Deadline

ED 86 and ED 87 is open for public comment through May 31, 2024.

How To Respond:

Respondents are asked to submit their comments electronically through the IPSASB website, using the following links:

- [Submit a Comment on ED 86](#); and
- [Submit a Comment on ED 87](#).

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website.

Project Overview

ED 86 and ED 87 fill a gap that exists in the suite of IPSAS as it relates to the exploration, evaluation and extraction of mineral resources.

Why the IPSASB Undertook this Project

In response to its May 2022 Natural Resources Consultation Paper, stakeholders identified a gap in the IPSASB’s literature where no accounting guidance exists when accounting for the exploration, evaluation and extraction of mineral resources.

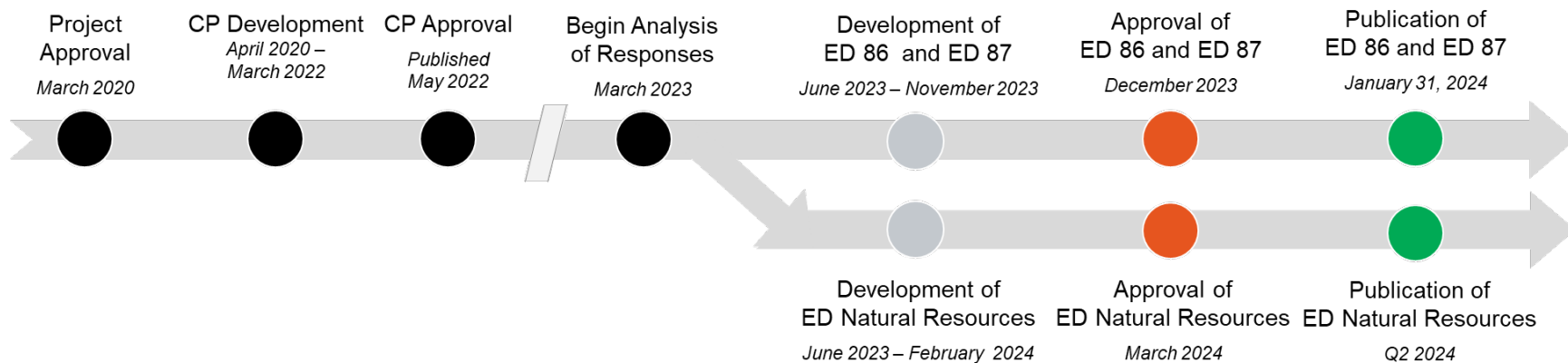
This lack of guidance was especially problematic in situations where a public sector entity operated a mining asset with a private sector entity, because this could result in diverse accounting practice between the entities.

Natural Resources Project

ED 86 and ED 87 are part of the broader Natural Resources project. To support stakeholders in responding, ED 86 and ED 87 are released as a package to focus responses on the issues related to the exploration, evaluation and extraction of mineral resources.

The development of a Natural Resources ED continues throughout 2024, which will focus on the recognition, measurement and disclosure of Natural Resources.

The project timeline is shown in the diagram below.



ED 86, *Exploration for and Evaluation of Mineral Resources*

ED 86 proposes guidance on accounting for exploration and evaluation expenditures, including the recognition of exploration and evaluation assets.

Key Proposals

ED 86 proposes guidance related to the costs incurred for exploration for, and evaluation of, mineral resources (for example, minerals, oil, natural gas and similar non-regenerative resources), as well as the costs of determination of the technical feasibility and commercial viability of extracting the mineral resources.

The proposals:

- Permits an entity to develop an accounting policy for exploration and evaluation assets without specifically considering the requirements of paragraphs IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Requires entities recognizing exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount; and
- Varies the recognition of impairment from that in IPSAS 26, *Impairment of Cash-Generating Assets*, but measures the impairment in accordance with that Standard once the impairment is identified.

Alignment

To enable consistent accounting for similar transactions between the public and private sector, ED 86 proposes aligning requirements with IFRS 6, *Exploration for and Evaluation of Mineral Resources*.

The IPSASB decided to retain the terminology of 'economic benefits' used in IFRS 6 as it considered that this would be a relevant concept to public sector entities who use the Standard.

The IPSASB did not identify any public sector specific reasons to depart from the requirements of IFRS 6. As such, departures from IFRS 6 are limited to terminology, and other IPSASB-specific formatting and consistency amendments.

ED 87, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*

ED 87 proposes guidance on accounting for waste removal costs that are incurred in surface mining activity during the production phase of the mine.

Key Proposals

ED 87 proposes accounting guidance for the costs associated with waste removal activity ('stripping') to gain access to mineral ore deposits. Some stripping activity produces saleable inventory while also improving access to further quantities of mineral ore.

ED 87 proposes the costs of stripping activity should be accounted for by applying the principles of IPSAS 12, *Inventories*, to the extent that the stripping activity results in inventory.

If specified criteria are met, when the cost of stripping activity improves access to ore, ED 87 proposes the costs should be recognized as a non-current 'stripping activity asset'; otherwise, the costs are recognized as an expense.

Alignment

To enable consistent accounting for similar transactions between the public and private sector, ED 87 proposes aligning requirements with IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*.

The IPSASB did not identify and public sector specific reasons to depart from the requirements of IFRS 6. As such, departures from the IFRS 6 are limited to terminology, and other IPSASB-specific formatting and consistency amendments.

The IPSASB proposes to include the guidance as an Appendix to IPSAS 12.

Next Steps

The deadline for comments is May 31, 2024.

The IPSASB members are available to discuss the proposals during the comment period.



How Can I Comment on the Proposals?

The ED requests comments on Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

The IPSASB welcomes comments on any other matters within the scope of the project that respondents think the IPSASB should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the following links:

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- [Submit a Comment on ED 87](#).

Please submit comments in both a PDF and a Word file.

All Comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

Stay Informed

The IPSASB's website will indicate the meetings at which feedback on the ED will be discussed. The dates and the locations of the 2024 meetings are available at:

<https://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/consultations-projects/natural-resources-ifs-6-and-ifric-20-alignment>