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Ian Carruthers
Chair, International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
Canada

15 February 2024

Dear Sir,

Response to Exposure Draft 86- Exploration for and Evaluation of Mineral Resources

I am pleased to submit my comments on the *Exposure Draft 86- Exploration for and Evaluation of Mineral Resources*.

I have over 13 years of experience in the field of accounting and I am currently working as an Accountant/Senior Accountant at the Treasury, Government of Mauritius. I have been part of the team working on the transition of the Government of Mauritius towards accruals based IPSAS.

The comments enclosed in this letter represent my personal views and do not reflect the official stance of the Treasury or the Government of Mauritius.

Kindly note that these comments are restricted by my lack of familiarity with the mining sector, and are based solely on my interpretation of the Exposure Draft, should I ever need to apply the standard.

I trust that these comments will provide valuable insights for the Board's consideration.

Yours Sincerely,



Meenakshi Devi Bookauram Seebundhun

Encls: Comments

Comments

Para 2(a) of ED 86

2. In particular, the [draft] Standard requires:
- (a) Limited improvements to existing accounting practices for exploration and evaluation expenditures.

Comment:

It is not clear what existing accounting practices refer to.

Is there another existing IPSAS that applies to the exploration and evaluation expenditures? (BC 2 of ED 86 states otherwise). Does it refer to IFRS?

Para 5 of ED 86

5. An entity shall not apply this [draft] Standard to expenditures incurred:
- (a) Before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area.
- (b) After the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Comment:

IPSASB could consider referencing to the standard which would apply in the case of (a) and (b) as it has been done in other standards where it is stated “(see IPSAS XX, _____)”.

Para 7 of ED 86

7. When developing its accounting policies, an entity recognizing exploration and evaluation assets shall apply paragraph 12 of IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.

Comment:

Para 12 of IPSAS 3 states the following

12. In the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability and takes account of the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.

Para 1 of ED 86

- 1. The objective of this [draft] Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources.*

Para 3 of ED 86

3. *An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard to exploration and evaluation expenditures that it incurs.*

Based on Para 1 and 3 of ED 86, it seems that ED 86 applies to exploration and evaluation of mineral resources. If this is the case, then why should reference to para 12 of IPSAS 3 be used. This paragraph is meant to be applicable if there is no IPSAS that specifically applies to a transaction.

Para 10 of ED 86

10. An entity shall determine an accounting policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently.

Comment:

To clarify whether an entity can choose to expense all exploration and evaluation expenditure or the entity must identify some expenditures that are to be recognised as assets.

Para 11 of ED 86

11. Expenditures related to the development of mineral resources shall not be recognized as exploration and evaluation assets. The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and IPSAS 31, Intangible Assets provide guidance on the recognition of assets arising from development.

Comment:

Para 3 of IPSAS 31:

3. *This Standard shall be applied in accounting for intangible assets, except:*

(d) Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources;

Para 10 of IPSAS 31:

10. *Exclusions from the scope of a Standard may occur if activities or transactions are so specialized that they give rise to accounting issues that may need to be dealt with in a different way. Such issues arise in the accounting for expenditure on the exploration for, or development and extraction of, oil, gas, and mineral deposits in extractive industries, and in the case of insurance contracts. Therefore, this Standard does not apply to expenditure on such activities and contracts. However, this Standard applies to other intangible assets used (such as computer software), and other expenditure incurred (such as start-up costs), in extractive industries, or by insurers.*

Based on Para 3 and Para 10 of IPSAS 31, expenditures related to development of mineral resources are not covered under IPSAS 31. Thus, either para 11 of ED 86 might need to be amended or Appendix A: Amendments to other IPSAS of ED 86 might need to be updated to reflect that IPSAS 31 applies to development of mineral resources.

Para 12 of ED 86

12. In accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets an entity recognizes any obligations for removal and restoration that are incurred during a particular period as a consequence of having undertaken the exploration for and evaluation of mineral resources.

Comment:

Given that this paragraph is under Measurement of Exploration and Evaluation Assets, IPSASB could consider providing clarification as to whether this paragraph applies irrespective of the accounting policy choice made or only if exploration and evaluation asset is recognised.

Moreover, guidance should be provided on whether the initial estimates of the cost for restoration are to be included in the cost of exploration and evaluation assets.

Para 18 of ED 86

18. An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognized, before reclassification.

Comment:

IPSASB could provide guidance as to where the exploration and evaluation asset is reclassified to after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Appendix A: Amendments to Other IPSAS

Comment:

Given that some of the exploration and evaluation assets could be intangible asset, amendment to IPSAS 31 (paragraph 3(c)) should be considered.

With regards to the amendments to be made to IPSAS 33, amendment to paragraph 62G should be considered to include reference to IPSAS 31.