



**ASOCIACIÓN INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Panama, Republic of Panama, May 30 2024
Oficio 43/052024

Subject: Comment letter on Exposure Draft 86, "Proposed International Public Sector Accounting Standard Exploration for and Evaluation of Mineral Resources".

Dear Mr. Carruthers,

I appreciate the opportunity to comment on the above-mentioned Draft Standard 86. "Exploration for and Evaluation of Mineral Resources" and provide you with our response to the Request for Information.

These comments are made in my capacity as Inter-American Accounting Association (IAC) President, made up of 29 sponsoring organizations from 20 countries in Latin America and the Caribbean, through the Inter-American Technical Committee on the Public Sector Coordination.

I am pleased to provide you with my feedback with the aim of improving the transparency, relevance, and comparability of financial statements across jurisdictions. We support IPSASB's approach to public sector convergence based on International Financial Reporting Standards (IFRS) applied in the private sector, provided that the nature of the transaction is economically similar, and any public sector-specific issues are addressed separately.

1 – OBJECTIVE

The project aims to gather opinions through a single question for the edition of the accounting standard with the following objective:

Specify financial information for the exploration and evaluation of mineral resources, including minerals, petroleum, natural gas, and similar non-regenerative resources. This includes requirements for the measurement, presentation and disclosure of recognized exploration and appraisal assets.

2 – GENERAL ASPECTS OF THE STANDARD

1. It is basically structured according to IFRS 6, updated according to the *conceptual framework*;
2. Asset recognition is deployed in tangible and intangible assets;
3. It establishes as the beginning of the measurement process the granting of the legal right for exploration and, as a purpose, the technical and commercial verification of feasibility of extraction;
4. Initial measurement by cost and then by historical cost or present value;
5. Establishment of specific requirements for the calculation of impairment, without expressly disregarding some elements of IPSAS 26.

3 – QUESTION PROPOSED BY IPSASB

Specific topic for comment 1:

The IPSASB decided to propose a standard harmonized with the IFRS 6 in the ED 86 (see paragraphs BC2 to BC7). Do you agree that the amendments to IFRS 6, for the public sector, are limited to terminology and other format and consistency changes specific to IPSASB (see paragraph BC8)?

If not, explain your reasons, clearly stating what additional changes are needed and why.

BC8. The IPSASB has not identified any specific public sector reason for departing from the principles of IFRS 6 in the development of this Standard, except for terminology and other formatting and consistency changes specific to the IPSASB. IPSASB decided to retain the economic benefits terminology used in IFRS 6 because it considered that it would be a relevant concept for public sector entities using the [draft] of the Standard.

4 – ANSWER.

Opinion

"Yes, the members of AIC's Public Sector Committee agree that the amendments to IFRS 6 for the public sector are limited to terminology and other format and consistency changes specific to the IPSASB, but requests that the following considerations be evaluated:

Considerations

1. In the Scope P.3-5, it is recommended to clarify the applicability by considering FC P.18 of IPSAS 1 on the Consultation Document (CD), Applicability of IPSAS to Public Enterprises and Other Public Sector Entities.
Rationale: A large part of the activities indicated in this standard are undertaken by Public Enterprises that will not necessarily apply IPSAS.
2. In Cost of Exploration and Appraisal Assets Elements. P.10 in subparagraph (a) Acquisition of rights to explore; even those that do not involve monetary outlay should be included and should be measured at fair value.
Rationale: Some exploration and appraisal assets are treated as intangibles (e.g., drilling rights), when they are managed by the state itself and there is no disbursement that does not consider these values within the measurement.
In Specification of the level at which impairment of exploration and appraisal assets is assessed P.22-23,
3. In deterioration, recognition, and measurement. P.20 should not be evaluated exclusively in relation to P.21 but should be considered elements of IPSAS 26 P.25-29.
Rationale: This could result in the exclusion of material information from the financial statements due to the failure to timely recognize impairment losses and the inclusion of unreliable information due to the inclusion of assets that do not accurately represent the transactions and other events they purport.

Recommendations:

1. It is suggested that the future standard should contain guidance with illustrative examples, to demonstrate the practical application of the standard, such as impairment cases and expressions such as "asset exploration and evaluation", "mineral resource exploration and evaluation", etc.
2. The information related to the amounts of commercial reserves is the most important element for an entity with extraction activities, although it is true that this disclosure is outside the scope of this Standard, it would be advisable to include it especially in the case of future concessions in the exploitation stage.
3. Considering that sustainability reports already exist, the impact of these non-renewable mineral resources and their social impact should be evaluated.



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Therefore, I agree with the proposed approach to developing a Standard aligned with IFRS 6, we request that the considerations be evaluated in such a way that they fit the specific needs of the public sector.

We hope that our input regarding the "**Proposed Exploration and Evaluation of Mineral Resources**" will be appropriate and useful for IPSAB.

If you would like to further discuss our feedback, please do not hesitate to contact me.

A handwritten signature in blue ink, appearing to read 'Jorge Sandoval la Serna', written over a white rectangular background.

Lic. Jorge Sandoval la Serna
President - AIC

Inter-American Technical Committee

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