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The International Public Sector Accounting Standards Board

277 Wellington St. West
Toronto, ON
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Submission via website

30 May 2024

Dear Ross

COMMENT ON EXPOSURE DRAFTS ON *EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES (ED 86)* AND *STRIPPING COSTS IN THE PRODUCTION OF A SURFACE MINE (AMENDMENTS TO IPSAS 12) (ED 87)*

We thank you for the opportunity to comment on ED 86 and ED 87.

The comments in this letter are those of the Secretariat of the ASB and not the Board.

In our jurisdiction, the public sector entities that apply public sector accounting standards (i.e. Standards of GRAP) and also undertake exploration or surface mining activities are limited. We engaged with public sector entities that apply IFRS[®] Accounting Standards and undertake surface mining activities or exploration for minerals. The objective of these engagements was to understand if these entities have any challenges with the application of the IFRS equivalent pronouncements, i.e. IFRS 6 on *Exploration for and Evaluation of Mineral Resources* and IFRS 20 on *Stripping Costs in the Production of a Surface Mine* in the public sector. From these engagements, no application challenges were noted.

Our responses to the specific matters for comment in ED 86 and ED 87 are outlined in Annexure A and Annexure B respectively. Annexure C outlines editorial comment.

Should you have any questions regarding the comments outlined in this letter, please feel free to contact me.

Your sincerely

Elizna van der Westhuizen

Head of Technical

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small
Chief Executive Officer: Mrs J Poggiolini

SPECIFIC MATTER FOR COMMENT TO ED 86

The IPSASB decided to propose an IFRS 6–aligned Standard in ED 86 (see paragraphs BC2–BC7). Do you agree that amendments to IFRIC 20, for the public sector, are limited to terminology and other IPSASB–specific formatting and consistency amendments (see paragraph BC8)?

If not, please explain your reasons, stating clearly what further amendments are necessary and why.

We support that the amendments to IFRS 6 for the public sector are limited to terminology and other IPSASB–specific formatting and consistency amendments.

Our minor comments on specific guidance in ED 86 are outlined below.

IPSASB–specific formatting

Economic benefits: Paragraph BC8 explains that the terminology of economic benefits used in IFRS 6 was retained as it is considered relevant to public sector entities using the [draft] Standard. As the term “economic benefits” is not used in ED 86, the explanation in paragraph BC8 may be unclear. We propose that the Basis for Conclusions explains why only the IFRS 6 concepts such as commercial viability and impairment of cash-generating assets, with reference to IPSAS 26 on *Impairment of Cash-generating Assets*, are retained.

Appendix A: Amendments to Other IPSAS

A similar consequential amendment to that in IPSAS 45 on *Property, Plant and Equipment* should be included in paragraph 3(c) of IPSAS 31 on *Intangible Assets*:

.03 This Standard does not apply to:

.....

- (a) the recognition and measurement of exploration and evaluation assets (see [draft] IPSAS [X], *Exploration for and Evaluation of Mineral Resources* ~~the relevant international or national accounting standard dealing with the exploration for, and evaluation of, mineral resources~~).

SPECIFIC MATTERS FOR COMMENT TO ED 87**Specific Matter for Comment 1:**

The IPSASB decided to propose IFRIC 20–aligned guidance in ED 87 (see paragraph BC9). Do you agree that amendments to IFRIC 20, for the public sector, are limited to terminology and other IPSASB–specific formatting and consistency amendments (see paragraph BC10)?

If not, please explain your reasons, stating clearly what further amendments are necessary and why.

We support that the amendments to IFRIC 20, for the public sector, are limited to terminology and other IPSASB–specific formatting and consistency amendments.

Our comment on specific guidance in ED 87 is outlined below.

We note that a routine terminology amendment made to IPSAS when aligning with IFRS Accounting Standards is to consider service potential in addition to economic benefits.

Paragraph A9 explains the criteria that should be met to recognise a stripping activity asset. One of the criteria is that “it is probable that the future economic benefit associated with the stripping activity will flow to the entity”. This criterion only refers to “economic benefit” and is not extended to “service potential”.

While this may be appropriate for ED 87, we recommend that the reason for not including “service potential” is explained in the Basis for Conclusions.

Specific Matter for Comment 2:

The IPSASB decided to propose the IFRS 20–aligned guidance in ED 87 as an amendment to IPSAS 12, *Inventories*, by including the guidance as an Appendix (see paragraph BC11). Do you agree with the IPSASB’s decision?

If not, please explain your reasons, stating clearly where the guidance should be included and why.

We support that the IFRS 20–aligned guidance in ED 87 is included as an amendment to IPSAS 12, as costs that result from stripping activities and are capitalised likely form part of the cost of produced inventory.

EDITORIAL COMMENT ON ED 86 AND ED 87

Reference	Proposed amendment
ED 86 Paragraph BC 10	Amend the reference "BC8" to "BC9".
ED 87 Paragraph 52C	Amended "opening retained earnings" to "opening accumulated surplus or deficit".