الاستحقاق المحاسبي
Accrual Accounting

وزارة المالية
Ministry of Finance

Date: May 30, 2024

Mr. Christoph Braxton

Principal,

International Public Sector Accounting Standards Board

International Federation of Accountants

529 5th Avenue

New York, New York 10017

RE: Comments on ED 86, *Exploration for and Evaluation of Mineral Resources*

Dear Mr. Braxton,

We welcome the opportunity to comment on ED 86, *Exploration for and Evaluation of Mineral Resources*.

Our responses to the specific questions raised in the Exposure Draft as well as other comments are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

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Yours sincerely,

Abdullah Al Mehthil

Head of the Public Sector Accrual Accounting Center and Secretary to the Public Sector Accounting Standards Committee

The Ministry of Finance

Riyadh, Saudi Arabia

Appendix 1 - Exposure Draft (ED) 86, *Exploration for and Evaluation of Mineral Resources*

Specific Matter for Comment 1:

The IPSASB decided to propose an IFRS 6-aligned Standard in ED 86 (see paragraphs BC2–BC7). Do you agree that amendments to IFRS 6, 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.

[Our Comments]

Yes, we agree. We also do not identify any public-sector specific reasons to depart from IFRS 6.

A close alignment with IFRS is highly beneficial in this case, because extractive activities are usually undertaken in close collaboration between governments, state-owned-enterprises, and private sector companies. Any differences in accounting principles for such activities would increase complexity and reduce comparability. However, we suggest the following additional amendments as improvements from IFRS 6:

- In addition to the requirement to apply paragraph 12 of IPSAS 3, we suggest strengthening the asset recognition section (paragraphs 7 and 8) by specifically requiring recognition of exploration and evaluation assets to be governed by (i) the typical criteria for recognizing an asset including that it is probable that future economic benefits associated with the expenditure will flow to the entity, (ii) paragraph 5 of the scope section and (iii) the definition of exploration and evaluation expenditures in paragraph 6. This would guide entities on what to recognize as exploration and evaluation assets and when such recognition begins and ends.
- While paragraph 13 requires applying the historical cost model or the current value model to the exploration and evaluation asset after recognition, it is not clear that exploration and evaluation assets are not subject to depreciation and amortization until they are eventually reclassified as part of operating assets (that is, when the production phase begins). We suggest that this should be clarified.

[Other Comments]

- The proposed consequential amendments to other IPSASs seem to have omitted IPSAS 31, paragraph 3(c).

- We understand that IFRS 6 has a temporary status pending a comprehensive review by the IASB of the accounting for extractive activities. We suggest that the final IPSAS should also have a temporary status. Otherwise, changes might be needed to revise the text in the draft standard suggesting that other IPSASs are to be applied by analogy (as opposed to directly applicable) and to remove scope exclusions in other IPSASs relating to extractive activities (for example, IPSAS 31, paragraphs 3(d) and 10) in order to reflect that these IPSASs are now directly applicable.