



15 June 2011

Mr Robert Garnett  
Chairman  
IFRS Interpretations Committee  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

Dear Bob

**Revised Draft Interpretation of IFRIC Interpretation DI/2010/1**  
***Stripping Costs in the Production Stage of a Surface Mine***

The Australian Accounting Standards Board (AASB) has been following the progress the IFRS Interpretations Committee is making on its project on IAS 16 *Property, Plant and Equipment – accounting for stripping costs in the production phase of a surface mine* and would like to bring the matters outlined below to the attention of the Committee for consideration before it finalises this project.

**Inconsistency with IAS 2 *Inventories***

The AASB is concerned that the Revised Draft Interpretation of IFRIC Interpretation DI/2010/1 that was presented to the IFRS Interpretations Committee at its May 2011 meeting could be interpreted as implying that, in contrast to IAS 2, the cost of inventories only includes directly attributable costs (see, for example, paragraph BC14, which notes that it may be difficult in practice to measure the separate cost of inventory and improved access ‘directly’). The juxtaposition of paragraph 18 (which refers to the residual cost approach in determining the stripping cost asset, being total costs incurred less standard cost of inventory) to paragraph 16 (which refers to direct costs in the context of the stripping cost asset) might lead to a similar interpretation.

**Inconsistency with IAS 16 *Property, Plant and Equipment***

The AASB is concerned that paragraph 20 of the Revised Draft Interpretation would require the stripping cost asset to be carried at cost less depreciation or amortisation, and less any impairment losses. Unlike IAS 16, it does not provide a choice of the cost model and the revaluation model for subsequent measurement, despite the fact that paragraph BC11 contemplates the stripping cost asset being added to or an improvement of a variety of existing assets, including tangible assets.

**Component of the ore body**

The AASB has some concern about the Revised Draft Interpretation’s requirements relating to the identification of the component of the ore body. The AASB thinks its concerns would be alleviated if paragraph BC9 were to be expressed in a manner that is similar to paragraph BC19, by inserting the word ‘usually’ as follows:


The specifically identified component of ore is usually a subset of the total ore within the mine. A mine may have several specific components identified during the production phase.

**The purpose of an Interpretation**

Even if the IFRS Interpretations Committee amends the Revised Draft Interpretation for the issues noted above, the AASB questions whether it would satisfy its intended purpose, on the basis that the principles are already evident in IAS 2 and IAS 16.

If you have any queries regarding any matters in the above, please contact me or Mischa Ginns ([mginns@aab.gov.au](mailto:mginns@aab.gov.au)).

Yours sincerely

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a large, stylized initial "K".

Kevin M. Stevenson  
*Chairman and CEO*