

November 30, 2010

IFRS Interpretations Committee
30 Cannon Street
London
EC4M 6XH
United Kingdom

Subject: **Draft IFRIC Interpretation - *Stripping costs in the Production Phase of a Surface Mine***

Dear Sir or Madam:

The Canadian Securities Administrators Chief Accountants' Committee appreciates the opportunity to comment on the Draft IFRIC Interpretation - *Stripping Costs in the Production Phase of a Surface Mine* (the Draft IFRIC). The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants' Committee (CAC) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Quebec.

General Comments

We strongly support the issuance of an IFRIC Interpretation on the subject of *Stripping Costs in the Production Phase of a Surface Mine* in order to reduce the diversity in practice in this area.

We agree with the key conclusion communicated in the Draft IFRIC that certain stripping activities create future benefit that meet the definition of an asset under the *Framework for the Preparation and Presentation of Financial Statements*. However, we do have some concerns about certain elements of the Draft IFRIC. Our key recommendations are:

- We suggest that the IFRS Interpretations Committee (the Committee) not distinguish between “routine waste clearing activities” and “a stripping campaign” but focus on whether the stripping activities give rise to a future benefit.
- Amortization of stripping costs should be based on the unit of production method over all sections of ore which are benefited by the stripping activities.

These recommendations are described more fully below in our answers to the specific questions asked in the Invitation to Comment.

Question 1 – Definition of a stripping campaign

We have the following concerns about the proposed definition of a stripping campaign:

- a) The phrase “more aggressive process” does not distinguish between a stripping campaign and routine stripping. It is unclear when stripping would be considered to be “aggressive”.
- b) The proposed definition refers to gaining “access to a specific section of the ore body” which suggests that there must be only one section of ore associated with a stripping campaign. In some cases, two or more distinct or non-contiguous sections of ore may benefit from a single set of planned stripping activities.
- c) The diagrams in the illustrative examples show an atypical ore body arbitrarily divided into three contiguous specific sections, based on the reporting periods in which the ore is expected to be mined. We suggest removing these illustrative examples from the Draft IFRIC.
- d) The Draft IFRIC states that a stripping campaign ends “when the entity has completed the waste removal activity necessary to access the ore with which the campaign is associated” (paragraph 13). It is unclear whether this is when access to part, or all, of the specific section of ore is completed.

Given the above concerns, we suggest the IFRIC not attempt to distinguish between “routine waste clearing activities” and “a stripping campaign”. Instead, the focus should be whether the stripping activities provide a future benefit. We suggest providing further guidance on how to assess whether stripping activities provide a future benefit. Relevant indicators may include the following:

- The stripping activities will give access to ore intended to be removed in a subsequent accounting period
- The actual waste:ore (strip) ratio experienced when carrying out the stripping activities is significantly higher than the expected life of mine strip ratio
- The stripping activities increase the fair value of the mining property

Question 2 – Allocation to the specific section of the ore body

As noted in our response to question 1, stripping activities may provide access to two or more additional sections of ore. Amortization of stripping costs should be based on the unit of production method over all sections of ore to which the stripping activities achieved access, as this reflects the useful life of the component. We also suggest the Draft IFRIC discuss amortization where there is a change in estimate of the ore body. This may occur when changes in economic factors such as commodity prices, or changes in the mine plan such as push-backs, occur over the life of the mine.

Question 3 - Disclosures

We agree that the disclosures presently required for existing assets are sufficient.

Question 4 - Transition

We agree the final IFRIC should apply to production stripping costs incurred on or after the beginning of the earliest comparative period. We also agree that any existing stripping cost asset balance that resulted from stripping activities that meet the definition of an asset under the Draft IFRIC should be reclassified as a component of the asset to which it relates.

We do not agree that existing stripping cost balances that cannot be directly associated with an identifiable section of the ore body should be written off to profit and loss at the beginning of the earliest period presented. Transition adjustments should be recorded in retained earnings, consistent with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Additional comments

Paragraph BC 6 of the Basis for Conclusions states the Committee decided not to include oil and natural gas extraction. We think that the Draft IFRIC could be applied effectively to the extraction of oil from oil sands. We request that the scope of the Draft IFRIC include oil sands extraction operations.

Paragraph 19 of the Draft IFRIC states that IAS 36 should be applied to a stripping campaign component. As capitalized stripping costs would be a component of an asset, they should be tested for impairment as part of either the associated asset or the associated cash-generating unit to which that asset belongs. We request clarification that suspension (or planned suspension) of ore extraction is an indicator that the associated asset, or the associated cash-generating unit that the capitalized stripping costs are a component of, should be tested for impairment in accordance with IAS 36.

We appreciate the opportunity to provide comments on the Draft IFRIC. If you have any questions, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants' Committee

Carla-Marie Hait
Chief Accountant
British Columbia Securities Commission
(604) 899-6726
chait@bcsc.bc.ca

Lara Gaede
Chief Accountant
Alberta Securities Commission
(403) 297-4223
lara.gaede@asc.ca

Cameron McInnis
Chief Accountant
Ontario Securities Commission
(416) 593-3675
cmcinnis@osc.gov.on.ca

Sylvie Anctil-Bavas
Chef comptable
Autorité des marchés financiers
(514) 395-0337 ext. 4291
sylvie.anctil-bavas@lautorite.qc.ca

cc: Gordon Fowler, FCA
Chair, Canadian Accounting Standards Board