# SEC REPORTING RESTRICTIONS IN THE MINING INDUSTRY: AN EXAMINATION OF THE MODELLING AND VALUE-RELEVANCE OF GOLD RESOURCE ESTIMATES

Stephen E. Kean

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Accounting Discipline Group
Business School
University of Technology, Sydney

Supervised by:
Professor Andrew Ferguson
Professor Philip Brown
Professor Martin Bugeja

## AUTHORSHIP/ORIGINALITY STATEMENT

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signed …….

Date……..

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## List of Acronyms

| | |
|---|---|
| AASB | Australian Accounting Standards Board |
| AMEX | American Stock Exchange (now NYSE MKT LLC) |
| ASX | Australian Stock Exchange[1] |
| BVE | Book Value of Equity |
| CIM | Canadian Institute of Mining, Metallurgy and Petroleum |
| COG | Cut-Off Grade |
| CSA | Canadian Securities Administrators |
| DSE | Development-Stage Enterprise |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| EDGAR | Electronic Data Gathering, Analysis and Retrieval |
| GAAP | Generally Accepted Accounting Principles |
| HVP | Hotelling Valuation Principle |
| IAS | International Accounting Standard |
| IFRS | International Financial Reporting Standard |
| IPO | Initial Public Offering |
| JORC | Joint Ore Reserves Committee |
| LHS | Left-Hand Side |
| MVE | Market Value of Equity |
| NI | National Instrument |
| NPS | National Policy Statement |
| NYSE | New York Stock Exchange |
| OLS | Ordinary Least Squares |
| OTCBB | Over-the-Counter Bulletin Board |
| Ph.D. | Doctorate of Philosophy |
| PRMS | Petroleum Resources Management System |
| RHS | Right-Hand Side |
| ROM | Run-Of-Mine |
| SEC | Securities and Exchange Commission |
| SEDAR | System for Electronic Data Analysis and Retrieval |
| SFAC | Statement of Financial Accounting Concepts |
| SFAS | Statement of Financial Accounting Standards |
| SIX | Swiss Exchange |
| SME | Society for Mining, Metallurgy and Exploration |
| SPPR | Share Price and Price Relative |
| TSX(V) | Toronto Stock Exchange (Venture Exchange) |
| UK | United Kingdom of Great Britain and Northern Ireland |
| UN | United Nations |
| US(A) | United States (of America) |
| USD | United States (of America) Dollars |

[1] ASX can also refer to the Australian Securities Exchange, which comprises the Australian Stock Exchange and the Sydney Futures Exchange.

**Abstract**

*I investigate the information content of gold mining firms' estimates of contingent and inferred resources. Contingent resources are distinguished from reserves because contingent resources are not economically viable under current conditions. Inferred resources are distinguished from the others in that they are too preliminary for a reliable assessment of their economic viability. Disclosing these two categories is required in Australia and Canada, but prohibited in the USA by SEC Industry Guide 7. I examine the informativeness of resource estimates in two ways: the association with ex post changes in reserve estimates, and the association with market prices. Following the resource reporting framework, I provide evidence that contingent resources are informative when considered together with gold price movements, and inferred resources are informative when considered together with exploration expenditure and the commercial viability of developed resources. I also provide evidence that the decomposition of estimates of mineralised material into contingent and inferred resources is only weakly associated with corporate disclosure allowed by the SEC. My results inform the regulatory debate over the harmonisation of resource reporting codes by highlighting the utility of the prohibited categories. My result also contributes to the literature that has hitherto focused on reserve estimates. It would appear that, while the SEC prohibition is motivated by concerns of investors being 'misled,' by distorting the disclosure of useful information, the SEC is increasing investor confusion.*