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

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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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# Table of Contents

List of Figures and Tables vi
List of Acronyms xi
Abstract xii
1.0 Introduction 1
2.0 Institutional Background: resource reporting 7
  2.1 The mining cycle 7
    2.1.1 The exploration and development stage of the mining cycle 7
    2.1.1.1 The exploration sub-stage of the mining cycle 7
    2.1.1.2 The development sub-stage of the mining cycle 10
    2.1.2 The production stage of the mining cycle 11
    2.1.3 The rehabilitation stage of the mining cycle 13
  2.2 Financial reporting 14
    2.2.1 Exploration and development costs 14
    2.2.2 Production profits, including anticipated rehabilitation costs 17
    2.2.3 Implications of financial reporting methods 19
  2.3 Resource reporting codes 21
    2.3.1 The PRMS 22
    2.3.2 The JORC Code, SME Guide and CIM Definition Standards 23
    2.3.3 SEC Industry Guide 7 29
  3.0 Hypotheses 34
    3.1 Resource disclosure as supplementary disclosure 34
    3.2 Resource disclosure as voluntary disclosure 38
    3.3 Resource disclosure as regulated disclosure 42
    3.4 The determinants of revisions of resource estimates 52
      3.4.1 The determinants of revisions of contingent resource estimates into reserves 52
      3.4.2 The determinants of revisions of inferred resource estimates into developed resources 54
      3.4.3 The determinants of revisions of inferred resource estimates into reserves 55
List of Figures and Tables

Figure 1 Resources Classification Framework – Petroleum. 109
Figure 2 General relationship between Exploration Results, Mineral Resources and Ore Reserves. 110
Figure 3 Resource classification. 110
Figure 4 Hypotheses. 112
Figure 5 Gold Price (USD). 114

Table 1 Balance sheet with different levels of development, capitalisation and amortisation. 115
Table 2 Resource disclosure from Adamus Resources Ltd 2008 annual report. 116
Table 3 Feasibility study from Adamus Resources Ltd 2008 annual report. 116
Table 4 Sensitivity analysis of the assumed gold price implicit in the reserve estimate from Adamus Resources Ltd technical report 21/08/08. 117
Table 5 Reserve reconciliation from Golden Star Resources Ltd. 2008 10-K. 117
Table 6 Production information from Abelle Limited 2003 Annual Report. 118
Table 7 Reconciliation of Cost of Sales to Total Cash Costs from Barrick Gold Corporation 2008 Annual Report. 119
Table 8 A comparison of different resource reporting codes. 119
Table 9A Sample selection. 120
Table 9B Comparison of market capitalisation for sub-samples with tickers A-D and E-Z. 120
Table 10 Sample composition by year and reporting code. 121
Table 11A Descriptive statistics of dependent and independent variables. 122
Table 11B Descriptive statistics of dependent and independent variables (cont.). 123
Table 12A Correlation matrix of independent variables. 124
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>12B</td>
<td>Correlation of exploration expenditure in year T=0 with T&gt;0.</td>
<td>124</td>
</tr>
<tr>
<td>13A</td>
<td>Future change in reserves (T years ahead) and current total resources decomposed into reserves and mineralised material (SEC firms included).</td>
<td>125</td>
</tr>
<tr>
<td>13B</td>
<td>Future change in reserves (T years ahead) and current total resources decomposed into reserves and mineralised material (SEC firms excluded).</td>
<td>126</td>
</tr>
<tr>
<td>13C</td>
<td>Future change in reserves (T years ahead) and current total resources decomposed into reserves, contingent and inferred.</td>
<td>127</td>
</tr>
<tr>
<td>14</td>
<td>Market value and current total resources decomposed into reserves, contingent and inferred.</td>
<td>128</td>
</tr>
<tr>
<td>15A</td>
<td>Future change in reserves (T years ahead) and decomposed current developed resources: including interactions with future change in gold price.</td>
<td>129</td>
</tr>
<tr>
<td>15B</td>
<td>Future Change in reserves (T years ahead) and decomposed current developed resources: including interactions with future change in gold price - decomposed into positive and negative changes.</td>
<td>130</td>
</tr>
<tr>
<td>15C</td>
<td>Future Change in reserves (T years ahead) and decomposed current total resources: including interactions with future change in gold price - decomposed into positive and negative changes.</td>
<td>119</td>
</tr>
<tr>
<td>15D</td>
<td>Future change in reserves (T years ahead) and decomposed current total resources: including interactions with lagged change in gold price - decomposed into positive and negative changes.</td>
<td>134</td>
</tr>
<tr>
<td>16A</td>
<td>Market value and current total resources decomposed into reserves and contingent resources: including interactions with lagged change in gold price.</td>
<td>136</td>
</tr>
<tr>
<td>16B</td>
<td>Market value and current total resources decomposed into reserves and contingent resources: including interactions with lagged change in gold price - decomposed into positive and negative changes.</td>
<td>138</td>
</tr>
<tr>
<td>16C</td>
<td>Market value and current total resources decomposed into reserves, contingent and inferred resources: including interactions with lagged change in gold price - decomposed into positive and negative changes.</td>
<td>138</td>
</tr>
</tbody>
</table>
change in gold price - decomposed into positive and negative changes.

Table 17A  Future change in developed resources (T years ahead) and current total resources – decomposed into developed and inferred resources.

Table 17B  Future change in developed resources (T years ahead) and current total resources – decomposed into developed and inferred resources: including interactions with future exploration expenditure.

Table 17C  Future change in reserves (T years ahead) and current total resources – decomposed into reserves, contingent and inferred resources: including interactions with future exploration expenditure.

Table 17D  Future change in reserves (T years ahead) and current total resources – decomposed into reserves, contingent and inferred resources: including interactions with current exploration expenditure.

Table 18A  Future change in reserves (T years ahead) and current total resources – decomposed into reserves, contingent and inferred resources: including interactions with future exploration expenditure and the proportion of developed resources that are reserves.

Table 18B  Future change in reserves (T years ahead) and current total resources – decomposed into reserves, contingent and inferred resources: including interactions with future exploration expenditure and the proportion of developed resources that are reserves (cont.).

Table 18C  Future change in reserves (T years ahead) and current total resources – decomposed into reserves, contingent and inferred resources: including interactions with current exploration expenditure and the proportion of developed resources that are reserves.

Table 19  Market value and decomposed current total resources: including interactions with exploration expenditure and the proportion of developed resources that are reserves.

Table 20  The proportion of mineralised material that is inferred resources, and exploration expenditure.
Table 21A  The proportion of mineralised material that is inferred resources, and lagged change in gold price. 157
Table 21B  The proportion of mineralised material that is inferred resources, and lagged change in gold price - decomposed into positive and negative changes. 158
Table 22A  Future Change in reserves (T years ahead) and decomposed current developed resources: including interactions with future change in gold price - decomposed into positive and negative changes - t = 1995-2000. 159
Table 22B  Future Change in reserves (T years ahead) and decomposed current developed resources: including interactions with future change in gold price - decomposed into positive and negative changes - t = 2001-2008. 161
Table 22C  Future change in reserves (T years ahead) and current total resources decomposed into reserves, contingent and inferred resources: including interactions with future exploration expenditure and the proportion of reserves to developed resources - t = 1995-2000. 163
Table 22D  Future change in reserves (T years ahead) and current total resources decomposed into reserves, contingent and inferred resources: including interactions with future exploration expenditure and the proportion of reserves to developed resources - t = 2001-2008. 165
Table 22E  Market value and current total resources decomposed into reserves and contingent resources: including interactions with lagged change in gold price - decomposed into positive and negative changes - t = 1995-2000. 167
Table 22F  Market value and current total resources decomposed into reserves and contingent resources: including interactions with lagged change in gold price - decomposed into positive and negative changes - t = 2001-2008. 169
Table 22G  Market value and decomposed current total resources: including interactions with exploration expenditure and the proportion of reserves to developed resources – separated by period sub-samples. 172

Table 23A  Market value (3 months after financial year end) and decomposed current total resources: including interactions with exploration expenditure and the proportion of reserves to developed resources. 173

Table 23B  Market value (3 months after financial year end) and current total resources decomposed into reserves and contingent resources: including interactions with lagged change in gold price – decomposed into positive and negative changes. 175
List of Acronyms

AASB  Australian Accounting Standards Board
AMEX  American Stock Exchange (now NYSE MKT LLC)
ASX   Australian Stock Exchange¹
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.