The Digger has been looking at the development of the 2016 ASIC Information Sheet 214 in relation to forward looking statements.

ASIC's Information Sheet 214: Mining and Resources: Forward Looking Statement (INFO 214) is to provide improved guidance on the content of forward looking statements commonly made for production targets and forecast financial information.
The Information Sheet also provides guidance as to how reasonable ground can be established.

On first reading, the so-called Information Sheet 214 appears perfectly reasonable, after all it is a pulling–together of the meaning and intent of existing rules around forward–looking statements.

Commentators, notably Nick Evans of the West Australian and Barry Fitzgerald of The Australian, have described the effect that this interpretation may have on the resource exploration and development industry.

Basically, a resource explorer will now require something akin to a Feasibility Study before any financial results can be released regarding the project.
This is likely to prevent most if not all of the junior explorer section from announcing much about their projects, even though these companies traditional rely on the release of scoping studies, based on preliminary technical results to date, in order to attract capital to enable them to further progress their project.

Now they will need to demonstrate that they will be able to get project funding, and being a Junior explorer, this may be an even bigger challenge than finding the project in the first place.

Expect to see a lot of "the results of our preliminary study were positive, and the results justify us to committing to the next stage of exploration and development".

That will be the end result of ASIC's move to tighten up guidelines on the release of so-called forward looking statements by junior resource companies.
214 outlined through its 5000 word guidance notes, mean that a explorer who would like to tell the market or even their own shareholders how much money it thinks it can make from developing a project, must now have "reasonable grounds" for any projections.
Reasonable grounds, under ASIC's new interpretation of the ASX listing rules and the JORC Code, means the projections must be based on ore reserves, not early-stage resources statements. The company must also have "objectively reasonable grounds that support the conclusion that funding will become available as and when required" to develop the project.

ASIC makes Company Research essential to the future funding of Junior Resource companies.

That means junior explorers can no longer release the details of scoping studies to the market.
Unsurprisingly there are not too many happy faces regarding this in the mining industry.

It will make raising capital far more difficult for small explorers, who traditionally have relied on a "release and raise" strategy for development funding.
Research such as that supplied by reputable analyst's such as Breakaway Research, will become a valuable tool in securing future funding for individual projects.
IPO funding takes a company to an initial resource and/or a scoping study. It then raises money to fund pre-feasibility studies, then drills out the deposit to ascertain the mining reserve potential, then more money is raised to complete bankable

feasibility studies and secure funding to complete the project.
But judging by the roadblocks it has caused for companies since its release on April 12, Info 214 is set to become a dreaded bit of work by the corporate watchdogs.

It has more or less made the release of early-stage scoping studies outlawed, and calls on juniors to put the cart before the horse by demonstrating projects can be financed before there is a project.

There will be unintended consequences, too, in the real world from all this, most notably a move away from the notion that the best market is a fully informed market.

Companies are querying whether they are obliged to disclose scoping studies or preliminary results under the ASX Listing Rules, or under the disclosure requirements in the Corporations Act (such as the prospectus provisions), on the grounds they are market-sensitive, Info 214 states:

"Unless you have reasonable grounds for making statements about scoping studies or preliminary results, these should not be disclosed.
The Corporations Act prohibits disclosure of misleading statements, that is, statements without reasonable grounds.''

Surely investors in the marketplace, current and prospective, should be allowed to judge for themselves the merits of an induvial company.

By their very nature, exploration companies do nothing but look forward. And when they think they have a project that might just shape up into development, they order a scoping study.

In general practice, a scoping study is meant to have 35 per cent plus or minus accuracy on things like the potential annual production from a project, the capital cost, the production cost, mine life, and so on.

In ASIC's ideal world, ASIC would like it based on mineable reserves, not lower-level resource estimates.
But that again ignores reality.
Done properly, a scoping study is a vital bit of information that determines whether a project is worth pursuing or not.
As a result, it is also a vital marketing tool in attracting funding and or/ partners to take the project to the next stages of greater confidence.
Companies that can gain access to private money via Crowd Funding etc, will now have a huge advantage over traditionally funded projects.

So companies will still be doing scoping studies. It's just that they won't be able to release the information.

In its greater wisdom on the subject, the corporate watchdog says it is OK to make aspirational statements,

ASIC's stated intentions are good, to protect retail investors from companies promising the world from projections based on limited drill holes and high hopes.

announce exploration targets, or disclose parts of the study that do not contain forward-looking statements.

And it says as long as it can be justified, it is OK to say that the "results of the preliminary study were positive", but we can't tell you what they are. But can we please have some more money so we can keep going anyway.

Worse, the fact that the scoping taken place potentially puts smaller holders at a disadvantage to other investors and potential predators.
Just because a scoping study is not released does not mean it doesn't exist. The data will be available to any friendly buyer with access to the data room.

It also gives directors and company insiders an advantage.

214 does not reflect the reality of how the sector works, nor how retail investors make decisions.

Plus there is no advice there for explorers on how to secure the funding to go to the next level, or what non-insiders can make of such statements.