Module 8: Red Flags, Green Flags & Sneaky Tactics

Why this matters

Junior mining is the most retail-hostile sector on the ASX. The structures are complex, the disclosure is technical, the time horizons are long, and the promoters are professional. Most of what's done is technically legal. Some of it is genuinely fraudulent. All of it is designed to make money for the company, the promoters, the directors, and the broker pipeline — sometimes alongside shareholders, sometimes at their expense.

Your job is to learn the patterns. Once you can spot them, you can quickly disqualify 80% of the junior universe and concentrate work on the 20% worth analysing.

This module rewrites the original red-flag list around a different organising principle. The original was a checklist of items. The rewrite is a framework of **behavioural patterns** built around a single meta-question: *why does this company exist, and who benefits from its current structure?* Once you can answer that question for any junior, the specific flags become consequences of the answer rather than a list to memorise.

The meta-question: why does this company exist?

Every ASX-listed junior exists for a reason. The reason is not always "to develop a profitable mining project for shareholders." Many companies exist because:

- The shell was acquired by promoters as a pre-listed vehicle for a story they wanted to tell
- The directors are receiving meaningful remuneration regardless of project progress
- The capital structure provides ongoing liquidity to founders and seed investors
- The company is a regulatory shelter for prior-stage investments that need exit liquidity
- The company exists to recycle capital through repeat raises with each cycle's hot commodity

These motivations are not necessarily fraudulent. Some are explicitly disclosed in the prospectus. But they shape every decision the company makes about announcements, capital raises, and disclosure framing — and **none of them are aligned with a long-term shareholder buying at current prices**.

The single most useful question to ask of any junior is:

> "If shareholders fully understood what this company is and isn't, would the share price be higher or lower?"

If the answer is **higher**, you've found a fundamental-price gap candidate (Module 10). The information disadvantage runs in your favour — you know more than the average market participant.

If the answer is **lower**, you've found a junior whose current price depends on shareholders not paying attention. The information disadvantage runs against you — the company is selling a story that doesn't survive scrutiny.

Most retail mistakes in junior mining come from owning the second category while believing it's the first. Every behavioural pattern below is a way to identify which category you're actually looking at.

Behavioural pattern 1: The dormant-company tell

This is the most expensive pattern in retail mining because it kills capital through slow attrition rather than visible loss. Years can pass with nothing happening; the SP bleeds 5–10% per quarter on dilution and decay; by the time the shareholder realises, the cumulative loss is 50–70%.

What it looks like

The company files quarterly activities reports that read like prior quarters' reports. The same project descriptions recur with minor wording variations. The same forward-looking statements ("further drilling to be conducted in coming quarters", "metallurgical testwork progressing", "permitting discussions ongoing", "the asset remains in our secure facility") appear verbatim across multiple quarters.

A worked example pattern: a company holds a uranium concentrate inventory in a secure facility while waiting for prices to recover. Quarter after quarter, the announcement reads "the [material]

remains in our secure storage facility, awaiting market conditions for sale." Change the date and the announcement could be from 18 months ago.

Why this pattern persists

The company has no material new activity. Genuine progress would generate dedicated announcements (drill commencement, assay results, study commencement, study results, permitting milestones). Copy-paste quarterly reporting is a fallback when the activity to report doesn't exist.

The company keeps the lights on because the shell has value. Directors continue to be paid. The cap structure can be tapped for further raises when needed. The story can be relabelled if the commodity goes out of favour. None of these require actual project progress.

How to detect it

- **Re-read the last 4–6 quarterly activities reports side by side.** Open them in tabs. If the same paragraphs recur across multiple quarters, the company is dormant.
- **Look for drill rig activity.** A company with active drilling will name the rig contractor, the metres drilled, the campaign budget, the assay turnaround timeline. A company with no drilling will use vague language: "exploration activities are progressing", "drilling is being planned", "rig mobilisation is anticipated."
- **Check Section 6 of the Appendix 5B against described activities.** If the announcement claims active drilling but the exploration spend is below what a single-rig program costs ($150–400k per quarter at minimum for an active program), the activity is overstated.
- **Compare director remuneration to project progress.** A board collecting $300k+ each in a $20m MC company that hasn't produced a substantive announcement in 12 months is a signal that the company exists primarily to pay the board.
- **Check ASX announcements page.** A 12-month period with only quarterly reports and AGM notices, no operational announcements, is dormant.

What this means for your portfolio

The dormant company is the worst trade in mining because it dies slowly. There's no single bad announcement to react to. The thesis dies of attrition while the SP bleeds and the cap structure dilutes. By the time you've waited "just one more quarter" three times, two years have passed and the loss is structural.

Run the dormant-company check on every junior in your portfolio quarterly. If it triggers, exit before you've sunk another year's wait into a position that isn't going anywhere.

Behavioural pattern 2: The announcement-headline mismatch

The body of an announcement either supports its headline or quietly walks it away. Reading both — and comparing how different companies in the same district handle similar news — tells you what kind of operator you're dealing with.

What it looks like

Two companies drill comparable programs in the same week. Their announcements differ in revealing ways:

Company A (strong-results posture): dedicated ASX announcement titled "Significant high-grade intercepts confirm continuity of XYZ deposit." The body includes hole-by-hole assays, a plan view showing the new holes plotted relative to prior drilling, a long section, true widths disclosed, geological description, comparison to the deposit model, and a forward plan section identifying the next batch of holes and assays.

Company B (weak-results posture): a passing mention in their quarterly report — "drilling has been completed at site X, with results currently being interpreted." No dedicated announcement. No plan view. No hole-by-hole data. The forward plan is vague.

The two announcements are about similar work. The difference is what each company is willing to put a spotlight on. A is making the most of strong results. B is downplaying weak ones.

Why the pattern works

Announcement style is a high-fidelity signal of underlying results because it costs nothing to make. A company with strong results has every incentive to lead with them — bigger headlines, more diagrams, more data, more forward guidance. A company with weak results has every incentive to bury them — less prominent placement, less data, vague language, deferred follow-up.

The asymmetry between the two postures is much larger than the underlying difference in geological results. A 30m @ 2 g/t hole gets a dedicated announcement at one company and a one-line mention at another, depending on whether the hole was the best or the worst of the program.

How to detect it

- **For every operational announcement in your portfolio, do the body-vs-headline check from Module 4.** Does the body confirm and elaborate on the headline, or soften it?
- **Track which companies in your sector consistently make the most of their announcements vs which consistently bury content.** Over multiple announcements, the pattern becomes obvious.
- **Watch for the "no headline" tell.** When a company drills a program and reports it only inside a quarterly, that's typically because the results didn't justify a standalone announcement. The absence is itself information.
- **Cross-reference against neighbours.** When a company in a known mineral district publishes underwhelming results while neighbouring companies on adjacent tenements publish stronger ones, that's a signal about the specific tenement, not the district.

What this means for your portfolio

You can build a quality-of-disclosure ranking across your watchlist. Companies that consistently lead with strong, data-rich announcements are doing the work. Companies that consistently bury content are managing perception around results that don't speak for themselves. Position sizing should reflect the difference.

Behavioural pattern 3: The repeat-IPO cluster

Some promoters and management teams recur across multiple junior mining IPOs over time, often in clusters, often with similar capital structures, similar story arcs, and similar outcomes.

What it looks like

Three or more new ASX listings appear within a 12-month window with overlapping management, similar promoter networks, similar broker syndicates, comparable capital structures (heavy seed and promoter shares, generous escrow lifting on similar timelines), and stories pitched to whatever commodity is currently in vogue.

The pattern is observable in real time during late-cycle phases. When uranium is hot, you'll see clusters of uranium-themed listings. When gold is hot, gold-themed listings. The same promoter networks reactivate around whatever has retail attention.

Why the pattern works for the promoters

The ASX listing process is the most expensive part of getting a small mining company to market. Once a shell exists with a story attached, the marginal cost of promoting it to retail is comparatively small. Promoters who've successfully listed multiple juniors have process efficiencies — broker relationships, IPO investor lists, marketing templates, story frameworks — that make repeated listings cheaper and more reliable than building a single project to a meaningful outcome.

For the promoter, the IPO itself is often the trade. Seed shares acquired at fractions of a cent are listed at $0.20 with escrow expiring 12–24 months later. The successful exit is the escrow lift, not the project's eventual mine development.

How to detect it

- **Look up the last 5 directorships of every board member.** ASIC's company register will show. If a director has been on the board of 4+ junior mining IPOs in the past decade, all of which are now sub-$10m MC, you're looking at a repeat-IPO operator.
- **Check the lead manager.** The same broker syndicates appear repeatedly across these clusters. Some brokers specialise in this kind of listing — that's a signal in itself.
- **Look at the seed investor list in the prospectus.** Many of these clusters share seed investors across companies. The same names recur across multiple prospectuses.
- **Compare prospectus wording across recent IPOs.** Story templates often recur with the commodity name swapped out.
- **Watch for unusual listing volume in a single commodity over a short window.** A cluster of 5 lithium IPOs in the same 6-month window of 2022 was a tell. The same applies to other commodities at different points in the cycle.

What this means for your portfolio

The repeat-IPO cluster isn't always fatal — sometimes good projects come through these structures. But the base rate of success is low, and the structural incentives are misaligned with shareholders. Default to scepticism. The single project that proves viable is the exception, not the rule. If you're going to participate, do so with the working assumption that the IPO itself is the promoter's trade and your edge is finding the rare cluster member where the underlying project is actually viable.

Behavioural pattern 4: The PFS-to-scoping downgrade

A specific tactic that signals the project's real economics didn't survive the discipline of a PFS framework.

What it looks like

A company has previously released a scoping study with strong headline numbers. The expected next step is a PFS. Instead, subsequent announcements label the work as a "scoping update", "revised scoping study", "preliminary economic update", or "concept study refresh". The PFS doesn't materialise. The labelling stays at scoping-grade indefinitely.

Why the pattern works for the company

Scoping studies are allowed to use Inferred resources in the production schedule and economic case. PFS studies are not (Module 5). When a project's headline scoping economics depend on Inferred tonnes carrying production years 6–15, the PFS-grade economics on the same deposit will be materially weaker — shorter mine life, lower NPV, less attractive financing case.

Rather than publish a PFS that walks back the scoping headlines, the company stays at scoping-grade and continues to refer to the original numbers. The market remembers the strong scoping numbers; the absence of a worse PFS is invisible.

The market mostly forgives the lack of progress. The company keeps fundability optionality without testing whether the project actually withstands PFS-grade scrutiny.

How to detect it

- **Track the labelling of consecutive economic studies on the same project.** Scoping → PFS is the normal progression. Scoping → Scoping update → Scoping refresh is the pattern.
- **Compare Inferred percentage in the resource that drives the economics.** If a meaningful percentage of contained metal in the production schedule is Inferred, the scoping economics depend on tonnes that won't survive into a PFS.
- **Check the timeline.** A company that completed scoping 24+ months ago with no PFS in sight is either dormant on study work or unable to PFS-validate the project economics.
- **Look at the management commentary.** Honest companies will explicitly say "we are progressing infill drilling to upgrade Inferred to Indicated for PFS purposes." Companies

running the downgrade tactic will avoid mentioning the resource confidence step-up.

What this means for your portfolio

A scoping study with strong headlines that hasn't progressed to PFS within 18 months should be re-modelled at PFS-allowable resource categories. If the project doesn't work at Indicated + Measured only, the scoping headlines are overstating the project's real value.

Behavioural pattern 5: The perpetual-foreign-estimate

The Module 2 cross-reference. A company acquires a project that already has a resource calculated under NI 43-101, SK-1300, SAMREC, or another non-JORC code, and discloses it on ASX under Listing Rule 5.12. The expected next step is a JORC re-statement, typically 6–18 months. The pattern is when this re-statement never quite arrives.

What it looks like

Quarter after quarter, the company refers to the foreign estimate in investor presentations, marketing material, and broker briefings. Each quarterly mentions that "JORC re-classification work is progressing" or "Competent Person review is ongoing." The timeline keeps slipping. 12 months pass, then 18, then 24. The foreign estimate stays the only resource statement on the project.

Why the pattern works for the company

The foreign estimate is usually the most favourable version of the deposit's tonnes and grade. If the JORC re-statement comes in materially smaller (which, per Module 2, is the typical pattern — historical estimates often lose 20–40% on JORC re-validation), the company has to publish that smaller number and the SP re-rates downward.

By staying perpetually mid-process, the company keeps the favourable foreign estimate as the live reference point in retail's mind without ever taking the SP hit of the JORC version.

How to detect it

- **Track the time elapsed since acquisition.** A foreign estimate that hasn't been JORC-restated 18+ months after acquisition warrants direct questioning.
- **Read the Competent Person's commentary in successive quarterlies.** Honest companies will quantify the work remaining (additional twin-hole drilling, density work, QA/QC review). Pattern-running companies will use vague language without specific milestones.
- **Compare the foreign estimate scale to the project's drill budget.** If the foreign estimate is substantial but the JORC re-statement work has had minimal funding allocated, the company isn't actually trying to deliver the JORC version.
- **Look for partial JORC restatements.** A company that JORC-restates only the highest-grade portion of the deposit (cherry-picking the part most likely to validate at scale) while leaving the rest as foreign estimate is running a sub-pattern of the same tactic.

What this means for your portfolio

A perpetual foreign estimate should be valued at zero in your model until JORC-restated. Any premium the SP carries on the foreign estimate is risk you're absorbing without compensation. If the company can't or won't deliver the JORC re-statement within a reasonable window, the most likely reason is that the JORC version doesn't support the foreign estimate's scale.

Behavioural pattern 6: The capital-raise-after-positive-news

Pattern: positive announcement → SP runs 30–80% on the day → trading halt the next morning → capital raise priced at small discount to the elevated SP. Common, legal, but tells you the capital raise was already prepared and the announcement was timed to optimise the placement price.

How to detect it

- **Time between positive announcement and trading halt.** If less than 5 trading days, the raise was almost certainly preparation-complete before the announcement.
- **Cross-reference against the prior 6 months of capital raises.** If the company has used this pattern repeatedly, it's structural.
- **Look at the cash position before the raise.** A company with 2–3 quarters of runway is in normal-pre-raise territory; a positive announcement timed to land just before the raise is the classic optimisation. A company with 6+ quarters of runway who still raises after positive news is using the news to capture higher pricing on dilution that wasn't urgent.

- **Watch the placement participants.** A genuine cornerstone-led raise after positive news has a specialist fund taking the lead at the elevated price. A weaker pattern has the raise dominated by short-term placement money rotating out within weeks.

What this means for your portfolio

The pattern itself isn't a hard red flag — it's standard operating procedure across the junior space. But the *quality* of the pattern matters. A company doing this consistently with quality cornerstone support, alongside genuine project milestones, is just optimising treasury management. A company doing this with poor placement support and no underlying project progress is using the announcement cycle to manage their cap structure rather than to build the project.

(Cross-reference: the entry-timing trade discussed in Module 6 — the period after the placement when the dilution has been absorbed and the SP recovers is often the best entry window for quality companies.)

Behavioural pattern 7: The transformational acquisition pivot

A company in a declining sector announces a "transformational" acquisition into a hot sector. Lithium 2022. Uranium 2024. Gold 2025. New tickers, new logos, new website — same management, new dilution. The acquired asset is usually low-quality (the good ones don't need rescue listings).

How to detect it

- **Check the company history.** Has the commodity focus changed multiple times in the past decade?
- **Check who the asset was acquired from.** Often a private vendor associated with directors or seed investors — a related-party transaction dressed up as a strategic pivot.
- **Check the consideration paid.** Often a large parcel of shares at a price that makes the vendors substantial holders of the post-acquisition company. Look at the dilution caused by the acquisition vs the value being acquired.
- **Check the technical work supporting the acquired asset.** Often a thin technical report, sometimes a foreign estimate (cross-ref Pattern 5), often a prior-stage project that didn't progress under previous owners for reasons that haven't been addressed.

Behavioural pattern 8: Shell recycling

Companies that have been listed for 15+ years, changed names 3+ times, pivoted from gold to lithium to uranium to whatever's hot. Same management, same shell, new story. The shell was kept alive specifically because being already-listed is valuable for promoters, not because the underlying business has continuity.

How to detect it

- **Look at the company history on ASX.** Frequent name/ticker changes are the tell.
- **Check directorship continuity.** If the same director has been on the board through 3 commodity pivots and 2 name changes, the shell has been passed through cycles.
- **Look at IPO date vs current commodity focus.** A company listed in 2007 as a uranium explorer, that became a graphite play in 2014, a cobalt play in 2017, a lithium play in 2021, and is now a critical-minerals play in 2025, is a shell that's been re-themed 4 times.

Other red flags worth knowing

These are the patterns that don't quite warrant the deep-dive treatment above but matter as part of the disqualification process. Most are technically covered in other modules; flagged here for completeness.

Death spiral convertibles

Convertible notes where the conversion price floats at a discount to the prevailing SP, with no floor. If the SP falls, more shares are issued for the same dollar of debt, the SP falls further, and so on. (Module 6.) Avoid companies that have these structures in place.

Going concern emphasis in the auditor's report

The auditor flags "material uncertainty regarding the company's ability to continue as a going concern" — i.e., they may run out of money. Read the audit report on page 1 of the financial statements. Any going concern emphasis is a serious flag.

Auditor changes mid-year

Auditors don't usually walk away from clients without reason.

Heavy free options attached to placements

Cross-reference Module 6. Multiple free options per share suggest weak demand at the placement and persistent dilution overhang afterward.

Related-party tenement / asset deals

The company acquires an asset from an entity associated with a director, often for shares + cash. The vendor is a separate legal entity but the beneficial owner is a director or their associate. Sometimes legitimate; often grossly overpriced. Check the Annexure to the deal in the announcement.

"Up to" reporting in headlines

Cross-reference Module 4. "Up to 35 g/t Au returned from drilling" always means a single peak assay, not a weighted intercept.

Promotional language without backing data

"World-class", "company-making", "transformational", "tier-1 potential", "elephant in the room" — language that belongs in marketing decks, not technical announcements. Legitimate technical announcements describe what was found in measured terms.

Excessive director remuneration

Directors paid $400k+ each in a $20m MC company that hasn't drilled a hole in 12 months. Total board + KMP comp above 5% of MC for a non-producer is excessive.

Selective announcement timing

Bad news released on Friday afternoon, on a major news day, or after market close. Good news released first thing in the morning, sometimes simultaneous with an investor roadshow.

Buried material content in quarterlies

Material new information disclosed within a 30-page quarterly rather than as a standalone announcement. Less likely to attract market attention or regulatory scrutiny than a dedicated release.

"Non-binding MOU" headlines

Headlined as offtake or partnership. Buried in body: "non-binding", "subject to negotiation", "conditional on completion of feasibility study, financing, and regulatory approvals". Often nothing comes of it.

Performance rights vesting on share price targets

Performance rights that vest when SP reaches specified levels align insiders with hitting *short-term* SP marks, which can be done via promotion rather than fundamental delivery.

"Strategic review" language

"The Company is undertaking a strategic review of its asset portfolio." Often code for "we're trying to sell this and haven't found a buyer." Sometimes preludes a major impairment.

Hidden royalty stack

The project has multiple royalties already encumbering it: government royalty, vendor royalty from previous owner, streaming agreement, native title benefits. A 10% combined royalty burden destroys margin.

Foreign jurisdiction asset with onshore-only listing

The asset is in a high-risk jurisdiction but the company is ASX-listed because that's where retail capital is easiest. Sovereign risk, expropriation risk, and security risks may not be priced in.

ASX queries / speeding tickets

ASX issues "please explain" notices when SP or volume moves unusually. Frequent queries signal either market manipulation, leaks, or careless disclosure. Search for "ASX query", "Aware Letter", "Price and Volume Query" on the company's announcements page.

Resource update with shifted parameters

Cross-reference Module 2 — "no new drilling, just changed parameters" pattern. Resource grows year-over-year because the cut-off was lowered, not because new mineralisation was found.

Stockpile inclusion in mine plan

Cross-reference Module 5. Late-life stockpile processing folded into headline LOM, often economic only at favourable price assumptions, sometimes with recovery assumptions higher than realistic for weathered material.

Selective benchmarking

Comparing your project to globally famous deposits with very different geology, jurisdiction, or scale. Always read which deposits are being used as comparators and check whether the geology is genuinely analogous.

Backdated or revised guidance

Production guidance revised down repeatedly. Cost guidance revised up. Each revision presented as "due to one-off factors". After three revisions, the issues aren't one-off — they're structural.

What a green-flag company actually looks like

The inverse of the patterns above. A green-flag company exhibits multiple of these characteristics simultaneously:

On the cap structure (Module 6)

- Tight share register with specialist resources funds as identifiable holders
- Director on-market buying with own cash (Appendix 3Y)
- Strategic / cornerstone investor at premium-to-VWAP placements
- Disciplined capital raises tied to specific milestones (no vague "general working capital")
- Streaming/royalty financing instead of equity dilution at FID
- Drill-for-equity contractor arrangements at small explorers

On the project (Modules 2–5)

- Conservative assumptions in studies (commodity price at or below current spot, met recoveries supported by locked-cycle pilot tests, contingency 15%+ on capex, ramp profile of 12+ months)
- Resource and reserve growth year-over-year through actual drilling, not parameter changes
- Independent technical reports signed off by reputable consultants (SRK, AMC, Mining Plus, Snowden, CSA Global, Lycopodium, GR Engineering, Wood)
- Binding offtake with credible counterparty (not "non-binding MOU")

On management and disclosure

- Strong technical board with executives who've been through full Stage 1→10 cycles
- Stable senior management — same MD, CFO, Exploration Manager for 3+ years
- No-drama announcement style — technical announcements written by geologists, not marketers, with specific data, sober tone, full JORC Table 1
- Forward plan sections that identify next milestones with realistic timeframes
- No frequent ASX queries

On corporate behaviour

- Project progresses through Lassonde stages on a defensible timeline

- Capital raises align with milestone delivery, not announcement-cycle optimisation
- Directors don't sell into positive news
- Quarterly reports describe substantively new progress quarter on quarter, not copy-paste content

A junior that exhibits 8+ of these characteristics simultaneously is rare. When you find one, the FA Story (Module 10) is much easier to write because the cap structure and the disclosure pattern are aligned with shareholder interests rather than working against them.

Sneaky tactics — the consolidated taxonomy

Beyond the major behavioural patterns above, smaller tactics are worth recognising:

1. **The "transformational acquisition" pivot** (covered above as Pattern 7)
2. **Reverse takeover (RTO) shell games** — live ASX shells sold to vendors who reverse-list private assets into them. Sometimes legitimate (faster than IPO) but often involve poor-quality assets that couldn't pass IPO due diligence.
3. **The 7.1A overhang** — companies seek 7.1A approval at AGM "for flexibility" then quietly use it months later. The capacity itself signals dilution coming.
4. **Capital raise straddled across positive announcements** (covered above as Pattern 6)
5. **Selective announcement timing** (Friday afternoons for bad news, Monday mornings for good)
6. **Buried material content in quarterlies**
7. **Non-binding MOU headlines**
8. **Performance rights vesting on SP targets**
9. **Resource update with shifted parameters** (Module 2 cross-ref)
10. **"Strategic review" language**
11. **Internal name changes hiding history** (Pattern 8)
12. **"Spin-out" of unwanted asset** — parent company spins off a non-core asset to existing shareholders as a separate listing. Often the spin-out has poor economics; the parent kept the good stuff.
13. **Paid promotion / sponsored research** — large portion of "research" coverage on small-cap miners is paid for by the company. Some research houses disclose this clearly; many bury it. Any "Buy" recommendation with a 12-month price target 3–5x current SP on a Stage 1–3 company with no revenue is almost certainly paid coverage.
14. **Nearology plays** — pegging ground next to a major's discovery and running on "in the same belt as [tier-1 deposit]" marketing. The geology is rarely the same — the major's geology team had pick of the best ground.

ASIC and ASX enforcement context

The line between aggressive promotion and securities fraud is jurisdictionally specific. ASX has historically been more permissive than the US SEC, though this is changing slowly.

What's worth knowing about the regulatory backdrop:

- **ASIC** (Australian Securities and Investments Commission) is the corporate regulator. They handle continuous disclosure breaches, misleading statements, market manipulation cases, and director duty breaches.
- **ASX** runs the listing rules and conducts initial review of disclosure issues, often via "speeding tickets" (Aware Letters / Price and Volume queries) before escalating to ASIC.
- **The continuous disclosure regime** (Listing Rule 3.1) requires immediate disclosure of price-sensitive information, with carve-outs for incomplete proposals and confidential negotiations. The threshold for what qualifies as price-sensitive is judgment-based and ASIC has periodically issued enforcement actions where they disagreed with companies' interpretations.
- **Resource and reserve reporting** has been the subject of multiple ASIC enforcement campaigns over the years, including specific actions around misleading exploration target disclosures, foreign estimate disclaimers, and inferred-resource economic studies. The pattern is periodic crackdowns followed by lighter touch periods.
- **Class actions** by shareholders are an alternative enforcement mechanism — the major plaintiff law firms (Slater and Gordon, Maurice Blackburn, Shine Lawyers) regularly bring continuous disclosure class actions against ASX-listed companies that have re-rated sharply downward after disclosure events.

For any specific borderline case, check the ASIC media releases page for recent enforcement actions involving similar conduct. This is the most reliable way to gauge current regulatory tolerance.

The 10-question disqualification checklist

Before doing any deeper work on a junior, run these 10 quick checks. **If 3+ red flags appear, move on.** The whole point of the checklist is efficiency — most of the junior universe should be disqualified before you spend serious analytical time on it.

1. ☐ Has the company changed names / pivoted commodities in the last 5 years?

2. ☐ Are there ASX queries / speeding tickets in the last 12 months?
3. ☐ Going concern emphasis in latest auditor's report?
4. ☐ Director / CFO turnover in the last 12 months?
5. ☐ Headline grades reported as "up to" rather than weighted intercepts?
6. ☐ Reliance on non-JORC (foreign or historical) estimates in marketing material that hasn't been re-validated within 18 months of acquisition?
7. ☐ Any related-party asset transactions in the last 24 months?
8. ☐ Capital raise within 5 trading days of major positive announcement, recurring as a pattern?
9. ☐ Director remuneration exceeds 5% of MC for a non-producer?
10. ☐ Recent quarterly activity reports use copy-paste language across multiple quarters?

A junior that triggers on 5+ of these is almost certainly not investable. A junior that triggers on 3–4 needs a much higher conviction reason to proceed. A junior that triggers on 0–2 is worth deeper analytical work.

Practical exercise

For every position currently in your portfolio, run the 10-question checklist. Be honest about the answers — if you can't immediately answer one, that's the question to research first.

For each position that triggers 3+ red flags:

1. Decide whether you have a specific reason that overrides the flags, or whether the position should be exited
2. If exiting, set a specific timeline (next 30 days; out by end of quarter)
3. If holding, document the override reason in your FA Story so you can re-test it next quarter

The discipline isn't to never own flagged stocks — sometimes the asymmetric upside justifies the risk. The discipline is to **know which positions have flags** and to size accordingly. A position with 4 red flags should be a 1% allocation, not a 5% one.

Final framing

The single best question to ask of any junior is the meta-question from the start of this module: "*If shareholders fully understood what this company is and isn't, would the share price be higher or lower?*"

Every behavioural pattern, every red flag, every sneaky tactic in this module is a way to identify cases where the answer is "lower" — where the current SP depends on shareholders not paying attention to specific things.

The practical edge in junior mining isn't picking winners. It's avoiding losers. The 80% of the universe you disqualify with the framework above is where most retail capital goes to die. The 20% you spend real analytical time on is where the work pays off.

If you can do the disqualification quickly and focus your hours on the smaller set of genuine candidates, you'll be ahead of almost every retail investor in the sector.

What I'm uncertain about

- ASIC and ASX enforcement intensity varies over time. Some periods see active crackdowns on misleading resource statements; others see lighter touch. Check ASIC media releases for recent examples if you're researching a borderline case.
- Specific consultant reputations shift over time. The list of "reputable independents" earlier in the module is current as I understand it but worth verifying recent project track records.
- The line between aggressive promotion and securities fraud is jurisdictionally specific. ASX has historically been more permissive than the US SEC, though this is changing slowly.
- The behavioural patterns above are observational generalisations from market history. They don't apply uniformly — some companies that exhibit elements of these patterns are still legitimate. The framework is a screening tool, not a categorical rule. Use it to allocate analytical time, not to make final investment decisions in isolation.
- Repeat-IPO clusters and shell recycling are particularly subjective to identify. The framework above is conservative — when in doubt, treat the situation as a flag and require a higher conviction reason to proceed.

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