BBC Scotgold “Gold Discovery” Complaint Upheld

Scotgold (LSE: SGZ)

A BBC interview with Phil Day, then CEO of Scotgold, has been condemmed by their Executive Complaints Unit, after a complaint by a viewer that they had broadcast “fake news” about a new gold discovery by Scotgold at their Cononish mine in Perthshire, Scotland.

BBC Scotgold “Gold Discovery” CEO Interview Complaint Upheld

The BBC Executive Complaints Unit (ECU) has upheld a viewer’s complaint that it had broadcast “fake news” about to a non-existent gold discovery made by **Scotgold Resources** which caused the company’s share price to subsequently soar.

Fraser Steele, head of the ECU, admitted that news reports on BBC Radio 4 Today , BBC Radio 2 and BBC1 Scotland that the miner had found another vein of gold at its Cononish mine located in the Scottish Highlands *“were incorrect and would have misled their audiences*.”

The source of the story was BBC Scotland reporter, David Henderson. He included the misinformation in the report of his mine visit and interview with Scotgold’s then CEO Phil Day, published on the BBC News (Scotland Business) website on January 30, 2023. Day told the BBC his company had carried out some testing and believed *“it was likely there was a second vein containing gold running parallel to the vein it was already mining, which could extend the working life of the mine and potentially increase profits”.*

There were also some brief news reports on BBC bulletins on the morning of January 30 which reported Scotgold as having said it had “*found another vein of gold at its Cononish mine*” (or sometheing very similar).

In the ECU’s judgement, ***that was more definitive than the hope or expectation expressed by the company’s former executive and would have left the audience with a misleading impression.***

When news of the alleged “discovery” broke, as one would expect, investors rushed to buy Scotgold shares, causing a 54% spike from 43p to 66p. The price subsequently fell back once the company admitted they had not yet drill tested the vein in question.

Notably, the company did not issue a Regulated News Release (RNS) announcing a “*discovery*“.

On the 9th February, the company announced a £3 million equity placement priced at 40p a share, causing the share price to fall from around 60p to 43p. The reason stated was to follow through with its 2023 mine plan and support an exploratory drilling program at the Cononish mine.

Six weeks later, on March 27, Scotgold shocked shareholders by announcing that its gold grades, revenues and working capital had suddenly deteriorated, to a point where its ability to keep operations going was in question. ***The key question here is when did it become aware of these problems, given the short time from the Febraury 9th 40p placing?***

It cited failed efforts to optimize production using what it considered a more cost-effective method of mining called long hole stoping. Any delays in switching to the new process, the miner warned, will inevitably put a strain on its finances. **The value of their shares crashed to 12p.**

On April 26, the company announced another fundraising , at just 15p. It also revealed that it had only £8,000 cash left at the end of March.

CEO Day resigned in June, citing *“a desire to spend more time with my family members in Australia“.* Nice.

Comment

We have never followed Scotgold on our watchlist, but this is such an awful episode resulting in investors losing money, that I think it's very newsworthy.

This is a truly apalling episode in my honest opinion, and does suggest a BBC news story was instrumental in placing information into the public domain that investors seized upon and bought shares, which then spiked the shareprice, and almost immeditaly a placing was done at a "discount" to the then (spiked) market price, causing investors that bought the "spike" to lose money.

The key points here are;

- **The company never issued a Regulatory News Release (RNS) to inform the market of a gold "discovery".**
- **When did they first become aware of the production problems? Was it before the February placing, or after?**
- **Why didn't Scotgold correct the misleading BBC news report?**

To read the full news release, please click HERE

If you need clarification of any information contained in this note, or have any questions, I will be delighted to assist – Please email andrew@city-investors-circle.com

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Disclosure

At the time of writing the author holds no shares in **Scotgold**

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