

Update on the crisis at the Cononish goldmine and the response of the Loch Lomond and Trossachs National Park Authority

Description



Stack 1 restoration and HEA 2 location, existing ponds to be drained prior to formation of Stack 2

Photo from Monitoring Report, October 2022, that has now been published on the LLTNPA planning portal, which helps some of the environmental cleanup that might be required if SGZ Cononish goes bust

Following my post on 3rd April about the financial crisis at the Cononish goldmine and its possible environmental consequences ([see here](#)) there have been a number of developments.

Scotgold's finances

In their interim results ([see here](#)) for the half year till December 2022, published on 30th March, the Directors of SGZ Cononish, Scotgold's subsidiary that operates the mine, reported that in February 2023 they had raised £3m at 40p per share. They also reported:

In order to safeguard against this potential shortfall in working capital over the next few months the Directors have determined to take steps to strengthen the Company's cash position. The Company is in advanced discussions with its gold offtake partner, and is reviewing final documentation, to secure a US\$500,000 advance to assist with short-term working capital. The Directors of the Company have also discussed, if the need arises, the provision of additional working capital, in the form of equity or a short-term convertible loan.

Security for the \$500,000 advance appears to have been lodged at Companies House on 14th April ([see here](#)) in the form of two floating charge over SGZ Cononish's assets. The charges are in the name of MRI Trading AG ([see here](#)), a company registered in Switzerland. MRI is presumably the gold offtake partner for the mine but a third of whose business is in structured commodity finance for the mining and metals sector. There are a number of clauses in the charge documents about what happens if SGZ were to go into receivership, an indication that MRI is aware of the parlous financial position of the company and is taking every effort to protect their advance. It may also indicate they see an opportunity should SGZ go bust.

Just three weeks after Directors reported they had discussed, if the need arises, the provision of additional working capital Scotgold announced ([see here](#)) they were seeking to raise a further £1.5m through a further share offer, this time at 15p per share:

Notwithstanding operational progress, the Directors of Scotgold feel it would be prudent to raise additional equity funds now, both to procure a resolution definition drill rig (versus using a contractor drill rig) to bolster grade control modelling for mine planning and for additional working capital, as Cononish continues to be developed towards full production.

I am not a legal or company expert but, should SGZ go bust, it looks as though MRI Trading AG could have first call on any equipment financed by through these new shares. The wording at the start of the offer document ([see here](#)) is a warning:

THE CONTENT OF THIS DOCUMENT HAS NOT BEEN APPROVED BY AN AUTHORISED PERSON WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED). RELIANCE ON THIS DOCUMENT FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL AMOUNTS INVESTED.

Anyone still attracted to the share offer by the lure of gold might also consider that according to Companies House, as of today 2nd May, SGZ Cononish Ltd had still not filed accounts for the year till 30th June 2022 which were due on 31st March.

The environmental risks

A month ago I submitted two information requests to the Loch Lomond and Trossachs National Park Authority (LLTNPA) to try and get a clearer picture of the environmental risks that might result from SGZ Cononish going bust.

The first was for copies of the Monitoring Reports for the Cononish gold mine that had been supplied to the LLTNPA but were not yet in the public realm because of the Park's policy of publishing them on the planning portal six months in arrears. If the situation at the mine was getting worse, one would expect to see that reflected in the content of the reports.

Having waiting to respond to my request until 28th April, the LLTNPA was able to say that the first of those reports, dated 25th October 2022, had now been published on the planning portal ([see here](#)). There is little information in that to indicate that environmental standards might be slipping but that is unsurprising because it covers a period that mostly pre-dates the drop in gold production that helped precipitate the financial crisis.

The LLTNPA has refused to release the second monitoring report, from December 2022, on the basis that it is still "four months later" in draft form (under the Environmental Information Regulations Public Authorities are not required to release draft documents if they intend to publish them in future). This however is subject to a Public Interest Test and the way the LLTNPA has dealt with this in their response suggests that they are withholding the information NOT because the monitoring information is draft but to give "the on-site contractors the opportunity to address any concerns the National Park Authority may raise in advance of their publication". In my view this is neither in the interests of the general public nor of potential SGZ Cononish Shareholders who deserve to know what is going on.

As a further indication that not all is well, the LLTNPA's response said it was unable to release the third Monitoring Report for the six month period, due following a monitoring visit on 13th March, because it had not yet been submitted.

My second information request was about the review of the value of the Restoration and Aftercare Bond and the GCGMP Bond which was due in January. Staff reported to the LLTNPA Planning Committee in December that bonds were insufficient to cover restoration costs and with SGZ Cononish at risk of going bust, clearly there is a risk of the public sector being left with a large clean-up bill. The LLTNPA's response states "that work is ongoing to review both the Restoration and Aftercare Bond and the GCGMP Bond" that is now three months after they were supposed to have been agreed but have refused to release information about the review of the value of the bond or subsequent negotiations with Scotgold because it:

"may cause harm to the commercial interests of an external firm operating in a competitive market. It is also considered that the release of correspondence relating to a live negotiation may adversely impact this work and there is a greater public interest in withholding this information to ensure the best possible outcome of the Bond review for all parties included in the Section 75 agreement, including local landowners and Crown Estates."

The first part of this is nonsense, Scotgold is not competing against anyone at Cononish. The second is highly questionable. Scotgold is extremely unlikely to invest money it doesn't have in increasing the value of the restoration bonds unless its public reputation is at stake. By negotiating in secret the LLTNPA would appear to be playing into their hands and allowing Scotgold's lawyers to draw out the whole process indefinitely. Meantime, what the LLTNPA now believes to be the true cost of restoring

the site should the mine close remains secret.

What needs to happen

It is an outside possibility that in its negotiations with Scotgold the LLTNPA is threatening to close the whole mine down because of the content of the monitoring reports and the inadequacy of the restoration bonds â?? now that would be something! It appears more likely from the Information Responses that the LLTNPA is putting the commercial interests of Scotgold before their statutory duty to protect the natural environment. I will ask the LLTNPA to review their decision not to release information about what is happening at the mine on that basis and that is in the public interest for them to report what is going on..

The wider issue is that both the LLTNPA Board and the Scottish Government need to consider the potential environmental consequences of the financial crisis at Scotgold and not leave this to LLTNPA planning staff.

Category

1. Loch Lomond and Trossachs

Tags

1. conservation
2. LLTNPA
3. planning
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