

Scotgold in administration – the implications for the Cononish goldmine and Loch Lomond and Trossachs National Park

Description



Formation of HEA3 between Stack 1 and Stack 2 continues along with progressive restoration of Stack 2

ideFarrar

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Cononish PMO Planning Compliance Check

Photo from Monitoring report dated 20/6/23 that was published on 20th December. The risk of tailings (grey colour) from Stack 2 being swept down the site in heavy rainfall should be obvious. This photo appears to have been taken in very dry conditions.

There appears to have been no public news about what has been happening at the Cononish goldmine since its owner, Scotgold Resources, went into administration on 24th November. Following my post of 18th December ([see here](#)), which described some of the pollutions incidents that had taken place earlier this year and my efforts to bring these to the attention of the Loch Lomond and Trossachs National Park Authority (LLTNPA) Board, this post takes a look at the implications of the mine going into administration and the risk this poses to the natural environment.

The risks of Scotgold being in administration

Neither SGZ Cononish, the company that operates the mine, nor its sister company SGZ Grampian (which was set up to prospect for further mine sites) is in administration. However, as subsidiaries of Scotgold both class as assets of that company and could either be sold as off to meet ScotGold's debts or, in the absence of a buyer, have their assets sold.

The risks associated with this were minimised by Gordon Watson, the Chief Executive of the Loch Lomond and Trossachs National Park Authority (LLTNPA,) in the written report he gave to the Board Meeting on 11th December ([see here](#)) and in the question and answer session that followed. With the idea of the mine bring any benefit to the local area now long gone, Mr Watson was sadly right when he said the LLTNPA's primary interest is "in respect of compliance with the planning requirements set out in the conditions attached to the permission approved by the Board in February 2018". Neither Mr Watson nor his Board, however, considered how these might be affected by Scotgold going into administration.

What will the LLTNPA do, for example, if the administrators find a buyer for the company who says they can only afford to operate the mine if the planning conditions are relaxed and give staff three days to take a decision on this? Will the LLTNPA stick by its planning conditions and make the few staff who remain at SGZ redundant or will they compromise the natural environment?

And what will the LLTNPA do if the administrators cannot find any buyer for the mine and hold a fire sale of all its assets? Who will they then bring in to decommission the site and are they really that confident that the increased bond, part of which had not been paid for last summer, will be sufficient? The issue is that while, to use Mr Watson's words, "the restoration bond can be accessed should the operator not fulfil its obligations to decommission and restore the site" this does not appear to cover what happens if there is NO operator?

These are not mere theoretical questions and scenarios. On 27th November, i.e. three days after Scotgold went into administration, a new company, Cononish Mining Ltd, was registered at Companies House ([see here](#)) with three directors from the Kansagra family. The timing appears seems more than a coincidence and suggests that the Kansagra family who have many other business interests were considering a takeover of the mine. While they had owned a mine in the past, their qualifications and experience to operate somewhere like Cononish is not immediately obvious. Something, however, then happened because by 13th December, two of the directors had resigned and the company had applied for voluntary strike off.

Then on 8th January, Scotgold's last remaining director, Sean Duffy, resigned and was replaced by a new director, Adam Salim Habib who according to other information recorded on the Companies House website appears to have connections with Rugby School and to be based in England. That may be significant because something Mr Watson failed to mention in his report is that the administrators, Mr Daniel Bredenkamp and Mr Christopher Pattinson of Pitcher Partners Accountants and Advisors Pty Ltd are based in Western Australia where Scotgold was registered as a company.

That fact has several implications for the LLTNPA. First, while Western Australia has lots of gold and the administrators may have experience in previously selling or winding up gold mining companies, it is very unlikely that they have much understanding of the legal, economic or social context in Scotland let alone the role of National Parks. Second, legally Pitcher Parners will deal with the administration

under section 436A of the Corporations Act 2001 in Australia not UK Company Law. Had Mr Watson mentioned this fact to his board maybe one of them might have recommended his staff get advice on any implications arising from this? Third, there will be very real practical difficulties communicating with administrators who are based so far away and in a different time zone. Mr Watson's report said his staff are proactively engaging with the operating company – whoever is still left – but nothing about how the LLTNPA plans to engage with the administrators.

The administrators are now far more important than the operating company as they will decide how much they are prepared to pay to keep it going until they conclude their work. At the time of the Board Meeting it was not even clear whether LLTNPA staff had realised they might need to inform the administrators how much money Scotgold was still due to pay towards the restoration bonds.

Is the natural environment at Cononish being adequately protected?

On 20th December the LLTNPA published on its planning portal the monitoring report for the Cononish goldmine dated 20th June ([see here](#)), i.e three months before Scotgold announced publicly the mine would cease to operate while it looked for new funds. I will consider the report in more detail in a future post but suffice to note here that eight planning conditions were, like the previous report, assessed as red: "Contravention of planning condition or major incident with potential for environmental impact – requires immediate action". While the number of planning conditions assessed as amber had dropped from seven to five, Scotgold had once again failed to carry out agreed work on the settling pool and under the LLTNPA's own procedures, therefore, this action should have been upgraded from amber to red.

Scotgold's failure to undertake remedial work to the settling pool is import.. First, the monitoring reports on the planning portal show that it has never worked properly and polluted water has been leaking through it into the River Cononish from the start. Eventually, in April 2022, it was decided to apply shotcrete to to the edges of the pool to stop it leaking. The August 2022 monitoring report stated "this was to be carried out soon" but by November this work was postponed for the winte. Then the April 2023 report stated that "The awarding of the contract for the shotcrete works, to seal the pond have been paused" The monitoring report for June just published now states under "Settlement Pond" that:

"Shotcrete works to TMF [Tailings Management Facility] not carried out. Possibility to hand spread concrete instead of shotcrete, SGZ to explore engineering options with KP to gauge if they would be happy to sign-off other methodologies."

One excuse after another and nothing done! Meanwhile, LLTNPA staff were continuing to assess Scotgold's failure to carry out what they had said they would do 15 months earlier as amber, contrary to their own procedures.

As a consequence of the LLTNPA's refusal to publish mine monitoring reports until six months after they have been submitted, it is impossible for the public to know what actions, if any, have been undertaken since June to fix the settling pond. What I have found out, however, through an FOI request to SEPA, is that the settling pond is still leaking pollution into the River Cononish and that there

are now plans to install “a real time turbidity meter”:

Details of incidents since 31 October 2023

We have only been made aware of one incident which took place on 22 November.

It was noted by a member of staff that a grey plume was obvious in the River Cononish. There had been heavy overnight rain which continued during the 22 November.

Immediate action taken was to close the outlet valve from the settlement pond to allow additional settlement.

Further site checks revealed that the site generator had broken down and the back-up generator had also failed to start. This had the knock-on effect of no flocculant being fed into the effluent treatment system. The flocculant is used to settle out the suspended solids in the settlement lagoon and therefore for a limited period of time the effluent would have only had limited settlement resulting in higher level of turbidity. The situation was rectified very quickly after this was detected.

Future plans are to install a real time turbidity meter in the final settlement pond to alert office staff to possible high levels of suspended solids.

In the meantime, the settlement ponds will continue to be maintained as required.

This is far more shocking and even more worrying than the pollution incidents listed in the Monitoring Reports. The Cononish goldmine effectively ceased to operate at the end of September when staff were laid off. Since that time there should have been no new tailings coming out of the mine and the amount of sediment-heavy water flowing into the settlement pond should have reduced greatly. So why is it still leaking pollution? What does that say about the state of mine site as a whole? The top photo provides some potential answers.

What too does this response say about SEPA who are the lead agency for protecting the natural environment against mine pollution? After several years of Scotgold failing to fix the problems and SEPA reporting that the incident of 22nd November was due to the breakdown of two generators, their

claim that “In the meantime, the settlement ponds will continue to be maintained as required” is laughable. Who is responsible for doing this and what caused the breakdown of the generators if it was not lack of maintenance?

The LLTNPA’s failure to act to protect the natural environment at the goldmine

On 13th December I wrote to the Convener of the LLTNPA, Dr Heather Reid, for the eighth time to ask her to ensure the Board properly consider the risks posed by Scotgold’s financial situation and linked to that the number of pollution incidents at the mine. I have not had a single response from Dr Reid to those attempts to communicate although, after I asked, LLTNPA staff have confirmed my emails have been shared with her. Dr Reid, therefore, has no excuse for not being aware of the issues.

On 21st December I received a response to my emails to Dr Reid of 8th and 13th December from a nameless individual in “Information Management”. This stated that “The points you have raised are noted” and “*As has been previously communicated – while the management and monitoring of planning conditions is an operational matter, Board Members continue to be in discussion with the Director of Place to seek updates on the situation at the goldmine*”.

This is disingenuous. LLTNPA staff had not provided a single report to their Board until I started highlighting the risks caused by Scotgold’s deteriorating finances ([see here](#)). They then brought forward their Annual Report on the mine to the end of October. This completely failed to mention the number of pollution incidents at the mine or the number of planning conditions assessed as red and amber up till that date or for how long Scotgold had failed to carry out actions such as failing to fix the settlement pond. If staff, with the connivance of Dr Heather Reid, deprive the Board of information about what is really going on at the mine they can take no effective action.

The LLTNPA Board now need to get a grip, instruct staff to release all the information they hold about the state of the mine so the risks can be properly assessed and proactively engage with the administrators in Australia for the reason explained in this post. And if Dr Heather Reid continues to support the position being taken by her Chief Executive, Gordon Watson, that responding to what could turn into a major environmental disaster is merely an operational issue, then the rest of the Board should consider a motion of no confidence and ask the Minister responsible, the Green MSP Lorna Slater, to intervene.

Category

1. Loch Lomond and Trossachs

Tags

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Date Created

February 5, 2024

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