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# The Castillo Copper saga

## Summary

- Castillo Copper began operations at Cangai in **about mid 2017** after advertising the company would be undertaking exploration for cobalt at their Jackadgery lease.
- In mid to **late June 2018** the Clarence Environment Centre (CEC) attempted unsuccessfully to contact Castillo via its website "contact us" portal. We were ignored.
- On **2<sup>nd</sup> August 2018**, The CEC emailed a complaint about Castillo's failure to consult, with the Resources Regulator at [<minres.environment@planning.nsw.gov.au>](mailto:minres.environment@planning.nsw.gov.au)
- That resulted in a response from the Regulator, confirming that community consultation was a requirement of Castillo's exploration licence, and we would be contacted by the company within the week
- On **24<sup>th</sup> August 2018**, Castillo's Executive Director, emailed the CEC downplaying what was happening at Cangai, Stating in part:

*Currently the program is in early stage exploration, albeit on an old historical mine site. The focus is to try and understand whether a potentially economic source of copper may exist.*

*Should we get to the stage of a scoping study, we will be conducting a lot more extensive community consultations.*

*We are not yet at that stage and are currently conducting grassroots exploration on private freehold land, in compliance with the environmental conditions of the mineral exploration licence.*

In other words, Castillo was not ready to consult with anyone.

- CEC's immediate response referred to a Castillo's web site article, dated 2 days before Castillo's Executive Director's email was sent, stating in part:

*I have to say, your description of being "in early stage exploration", and that your "focus is to try and understand whether a potentially economic source of copper may exist", is somewhat at odds with the glowing reports of striking rich deposits etc, on your web site.*

- \* The Executive Director's immediate response included a statement that he was visiting Grafton the following week (mid August) and he would contact CEC with a view to a meeting. That never happened.

- One photograph posted on the Castillo website showed a drilling platform in a very precarious position on what appeared to be an extreme slope. No erosion control effort was visible. We had heard that in getting the drill rig to the summit of the mountain, it had toppled over and 2 workers were hospitalised.

The CEC also identified anomalies in Castillo's licence application so, on **12<sup>th</sup> September 2018**, we sent a report to the EPA through the EnviroLine, claiming in part:

*A look on the Castillo website found this photograph, see attached, which seems to back up the story in that the country where the work is being done is steep, and the earth works quite extreme, with little erosion control, and certainly not matching the description of works in the company's Review of Environmental Factors which describes those works as: "Clearing of three (3) site pads each 40m<sup>2</sup> in size" and "Light clearing and levelling, plus associated drainage works, of existing tracks to the drill sites (no new tracks needed)".*  
*Would it be possible for the EPA to investigate these reports for us.*

That report ultimately ended up with the Resources Regulator for investigation.

- The CEC waited almost 2 months before following up both complaints with the Resources Regulator in **early to mid November** when, in a telephone conversation with their Manager (Compliance Coordination Unit), we were told an inspection was planned the following week. We later learned that that site inspection was held on **22<sup>nd</sup> November 2018** (Resources Regulator's media release, **21<sup>st</sup> December 2018**).
- **In early December** the CEC was contacted by Castillo's ecologist, who had been asked to contact us because of our request for community consultation. That meeting, with 3 local community representatives, including the CEC was held on 15<sup>th</sup> December.

The ecologist informed us he had only been employed by Castillo for 4-5 weeks. This came out in conversation, so not firm evidence, but **suggests he started work with the company before the 22<sup>nd</sup> November site inspection.**

He was unable to provide us with any information about Castillo, but told us Castillo had completed their exploration work, the drilling crews had left, and he had been employed to oversee the post exploration rehabilitation, which he inferred was the usual course of events.

- However, on **21<sup>st</sup> December 2018** the CEC received a call from the Resources Regulator, and was told they had identified multiple serious breaches of the exploration licence at the Cangai site, and had suspended both licences pending a thorough clean-up of the site. Also the CEC was informed that a media release would be posted on the Regulator's website that afternoon.

That media release confirmed all the issues the CEC had identified in our complaint, and reads as follows:

**21st December 2018**

The NSW Resources Regulator has suspended all operations on two exploration licences held by mining companies Total Mineral Pty Ltd and Total Iron Pty Ltd.

Exploration Licences 8625 and 8635 were being operated by Castillo Copper Limited, about 45km northwest of Grafton, in the North Coast Region of NSW.

The Resources Regulator's Director of Compliance Operations, Matthew Newton, said action was taken to suspend the operations due to a number of serious compliance issues being identified at a recent inspection. "The contraventions related to alleged non-compliance with conditions of both exploration licences, which were uncovered during an inspection on November 22, 2018," Mr Newton said.

Mr Newton said the November inspection identified alleged issues in relation to:

- a lack of sediment and erosion controls;
- poor management of drill cuttings/waste materials;
- clearing and excavation works undertaken outside of approved limits;
- the drilling of five bore holes without approval; and
- a failure to progressively rehabilitate in approved time frames.

"The Regulator will take strong action on titleholders who fail to comply with their obligations, particularly in relation to environmental management and rehabilitation," Mr Newton said.

"In this instance the Regulator has issued statutory directions to both titleholders to implement immediate controls to address the impacts and prevent further harm to the environment - and we have taken the step of suspending operations until these works are completed," he said.

The statutory directions include engaging a suitably qualified independent environmental expert to assist in remediation / rehabilitation and an independent expert to complete a compliance audit of the exploration activities.

The suspension of exploration licences 8625 and 8635 takes effect immediately and will remain in force until the Regulator is satisfied Total Iron Pty Ltd and Total Mineral Pty Ltd have complied with the statutory notices.

Failure to comply with the suspension may result in a maximum fine of \$1,100,000 for a company and \$220,000 for an individual.

The suspension excludes any activities required to maintain a safe workplace and/or to undertake environmental rehabilitation of the exploration licences.

The question that arises here is: If the cessation of drilling operations at Cangai, and the engagement of "*a suitably qualified independent environmental expert to assist in the remediation / rehabilitation*" of the site, all conditions for the reinstatement of the licences, how was that expert, presumably the ecologist, employed **BEFORE** the site inspection took place on 22<sup>nd</sup> November? Rehabilitation work was also well advanced before the 21<sup>st</sup> December media release. So was there communication between the Regulator and Castillo before the inspection, and why was the media release delayed?

- **From that point on the questions keep on coming.** Immediately following the Regulator's media release, Castillo posted an announcement on the Australian Stock Exchange (ASX) website, suspending trading “*pending an announcement*”:

21 December 2018 Market Announcement 1/1 ASX Limited ASX Customer Service Centre 131 279 | [asx.com.au](http://asx.com.au)

## Castillo Copper Limited (ASX: CCZ) – Trading Halt

### Description

The securities of Castillo Copper Limited ('CCZ') will be placed in trading halt at the request of CCZ, pending it releasing an announcement. Unless ASX decides otherwise, the securities will remain in trading halt until the earlier of the commencement of normal trading on Thursday, 27 December 2018 or when the announcement is released to the market.

### Issued by

Elizabeth Harris  
Principal Adviser, Listings Compliance (Perth)

That following announcement came on 27<sup>th</sup> December, reiterating the trading suspension, pending yet a further announcement, but still no mention of why.

### Market Announcement

27 December 2018

27 December 2018 Market Announcement 1/1

ASX Limited ASX Customer Service Centre 131 279 | [asx.com.au](http://asx.com.au)

Castillo Copper Limited (ASX: CCZ) – Suspension from Official Quotation

### Description

The securities of Castillo Copper Limited ('CCZ') will be suspended from quotation immediately under Listing Rule 17.2, at the request of CCZ, pending the release of an announcement regarding the status of its exploration tenements.

### Issued by

Madeleine Green  
Adviser, Listings Compliance (Perth)

- However, on 20<sup>th</sup> December, the Company Secretary, signed an announcement by order of the board of directors, of a ***“General Meeting to be held at the office of Blackwall Legal at Level 26, 140 St Georges Terrace, Perth, Western Australia on Tuesday, 29 January 2019, commencing at 10.00am WST.”***
- That announcement was also posted to the ASX with an Agenda which included the following resolution.

## resolution

# 1

### Ratification of placement

To consider and, if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

*That, for the purpose of listing rule 7.4 and for all other purposes, shareholders ratify the prior issue of 61,500,000 shares to the placement participants as set out in the explanatory statement.*

Nowhere in the 28 page notice of General Meeting, or in the extensive explanatory statement, is there any mention of the suspension of the exploration licence, something we believed would have been in breach of ASX regulations.

- The Explanatory Statement does say that the distribution of the 61,500,000 shares *“raised a total of \$1,230,000”*, presumably without the the buyer's knowledge of the exploration suspension.

# 1. RATIFICATION OF PLACEMENT

## 1.1. Background

On 11 December 2018, the *company* issued a total of 61,500,000 *shares* (placement shares) in a share placement to sophisticated and professional investors (placement). The *placement* raised a total of \$1,230,000 (before costs) and was undertaken in accordance with *listing rule 7.1*.

It is interesting to note that on 3 separate occasions the Explanatory Statement reports that: *“the funds raised under the placement will be used to accelerate exploration programs at the company’s Cangai Copper project”*.

- The new year came with still no announcement informing the market about the exploration suspension, at which time the CEC requested ASIC investigate, resulting in Castillo finally announcing the exploration suspension on **14 January 2019**.

**REQUEST FOR EXTENSION OF VOLUNTARY SUSPENSION** Castillo Copper Limited (ASX: CCZ, “the Company”) requests an extension of the voluntary suspension of its securities effective from the commencement of trading on Monday, 14 January 2018 in accordance with ASX Listing Rule 17.2, pending an announcement by the Company in respect of the status of its exploration tenements. The Company refers to its initial request for voluntary suspension dated 27 December 2018 regarding suspension notices issued to the Company’s subsidiaries Total Minerals Pty Ltd and Total Iron Pty Ltd (holders of exploration licences EL 8625 and EL 8635 respectively) pursuant to which exploration activity at the Company’s Cangai Copper project has been suspended pending rectification of compliance issues identified by the NSW Resources Regulator during an inspection in November 2018. The Company has continued its engagement with the NSW Resources Regulator and provides the following progress update. ...

The Company will submit a report to the NSW Resources Regulator that details actual and potential impacts to the environment identified by the site-based performance and risk assessment and control actions implemented to ameliorate impacts / minimise risk carried out by the Expert.

The Audit is expected to be conducted and reported to the satisfaction of the NSW Resources Regulator by 1 February 2019. ....

That progress update seemed to be all about shifting blame to the Company’s subsidiaries **Total Minerals Pty Ltd and Total Iron Pty Ltd** (holders of exploration licences).

- A week later, **23<sup>rd</sup> January 2019**, more significant announcements. Firstly the withdrawal of the 61.5 million share distribution as a result of a direction from ASIC,

**Supplementary Prospectus to withdraw Share Purchase Plan Offer**  
Castillo Copper Limited's ("CCZ" or "the Company") advises that it has withdrawn its offer to eligible shareholders of up to approximately 75,000,000 shares, with one free attaching option for every share subscribed for, at an issue price of \$0.02 to raise up to \$1,500,000, with each eligible shareholder able to apply for up to 750,000 shares (Offer) made under a prospectus lodged with the Australian Securities and Investments Commission (ASIC) on 18 December 2018 (Prospectus).

A supplementary prospectus was lodged today with ASX and ASIC (Supplementary Prospectus). The Supplementary Prospectus should be read together with the Prospectus.

To effect the withdrawal of the Offer, the Company has brought forward the expiry date of the Prospectus to the date of the Supplementary Prospectus, such date being 23 January 2019. No securities have been issued prior to this date on the basis of the Prospectus and the Company will not issue any securities on the basis of the Prospectus.

Since the Prospectus was lodged with ASIC on 18 December 2018, **the Company believes that eligible shareholders are not able to make a fully informed investment decision whilst the status of its exploration tenements remain uncertain (refer to ASX Announcements dated 27 December 2018 and 14 January 2019)** and has decided to withdraw the Offer under the Prospectus. The Company intends to issue a prospectus on the same terms as the Offer once the status of its exploration tenements is known.

All application moneys will be refunded in full by bank transfer, where a nominated bank account has been provided, or by way of a cheque which will be sent using the applicant's address as specified on their application. The Company will coordinate with the Share Registry to process all cheques and bank transfers by 29 January 2019. As stated in the Prospectus, no interest is payable on refunded application monies.

It would seem from the above announcement, that ASIC has accepted this action without penalty. However, a second announcement posted on the ASX website on the same day, may be more significant.

**A-Cap Energy not to proceed with Marlborough Project joint-venture.**

Castillo Copper Limited's ("CCZ" or "the Company") advises that it has mutually agreed with A-Cap Energy (ASX: ACB) not to proceed with the proposed Marlborough Project joint-venture which was announced on 25 July 2018.

After a portfolio review, ACB's Board has decided to focus on developing its asset in Western Australia, which has a legacy mine.

As CCZ's strategic intent for its Queensland assets remains unchanged, the Board will seek a new strategic partner to develop the Marlborough Project.

For and on behalf of Castillo Copper  
Alan Armstrong (Executive Director).

Looking back at the Joint venture agreement on 25<sup>th</sup> July 2018, the following highlighted passages stand out: **NOTE - CCZ is Castillo Copper's Stock Exchange abbreviation.**

### **\$2.25m joint-venture to develop Marlborough project in Queensland**

**CCZ and A-Cap Resources (“A-Cap”, ASX: ACB) have signed a binding Term Sheet to form a joint-venture to explore the highly prospective Ni-Co Marlborough project, near Rockhampton in north-east Queensland (QLD)**

**ACB has agreed to invest \$2.25m over two years to fund exploration activities – up to completing the bankable feasibility study stage – to earn 60% interest in the Marlborough project, with CCZ free-carried with 40%**

**This is a timely transaction for both groups, particularly as global demand for Ni-Co from the lithium-ion battery sector continues to grow, stimulating the search for new reliable supply chains**

**For CCZ, this is an optimal arrangement to leverage creating value for shareholders from its QLD assets, while concurrently progressing re-opening the Cangai Copper Mine and developing the Co-Zn Broken Hill project**

**Moreover, establishing a business rapport with ACB’s Board as strategic partners has merit, as they deliver strong connections with prospective end-users in China to the table**

Despite these obvious set-backs, subsequent announcements at the ASX website show that Castillo Copper appears determined to push ahead with the Cangai project regardless. Castillo Copper's reckless record to date, and their willingness to ignore all regulatory requirements until forced to by the regulator, is a major concern. Given those facts, and the dangerously risky nature of copper mining generally, along with the very close proximity of the Cangai site to the Clarence River's largest tributary, the Clarence Valley community holds grave concerns over this issue.

Compiled by John Edwards  
For the Clarence Environment Centre

**Below are a few brief case studies on some of Australia's copper mining disasters**

## Baal Gammon copper mine disaster - 2018

In August this year, the ABC broke the news that pollution from the now moth-balled Baal Gammon copper mine in northern Queensland has leaked into the previously pristine Walsh River and Jamie Creek, south-west of Cairns, near the township of Watsonville. As a result residents have been told by the Queensland Government not to drink, swim or use the water.

Leading environmental engineer, RMIT professor Gavin Mudd, says the level of contamination going into the creek and river is among the worst he has ever seen, with aluminium, copper, zinc, and cadmium levels *"thousands of times higher than the concentrations we'd like to see"*.

Locals are angry that their water source has been deemed too risky to use particularly when much of Queensland is in drought.

Milky white and red iron sludge derived from the mine pollution rests on the surface of Jamie Creek, which feeds the Walsh River in the wet season. In contrast to the red and white sludge, one of the few types of lifeforms to have survived and flourished in the acidic water is a highly resilient, bright green algae.

Unable to use the water for irrigation, a nearby vineyard has withered, and an organic vegetable producer has been forced to close down.

This has been an on-going problem, with the first major pollution event this decade occurring in 2012, when mine overflow contaminated the water in the creek and the river. Dead fish were found after that event and the river's ecosystem has not recovered, and all fish, platypus and turtles have not returned.

Then owner and operator of the Baal Gammon mine, Monto Minerals and Kagara Pty Ltd, were issued an environmental protection order (EPO) to stop further releases of contaminated water, and a year later were fined a total of \$200,000. The mining project changed hands again and the next mineral rights holder, Consolidated Tin Mines, paid current owner Baal Gammon Copper Pty Ltd \$1.8 million to assume liability in 2017.

In March and April this year, officers inspected the mine three times and found contaminated water leaking from the site at each of the inspections. After the third inspection, they issued an EPO to Baal Gammon Copper, which is ultimately owned by Brisbane businessman Denis Reinhardt, ordering the company to immediately carry out works at the site to ensure no more contaminated water was released.

However, the department has refused to answer questions about what measures, if any, it has taken to enforce the EPO, saying it would be inappropriate to comment due to the ongoing investigation.

Queensland Premier Annastacia Palaszczuk said the levels of contamination were "disturbing", also refusing to comment further as the matter was under investigation and she didn't want to pre-empt that investigation.

Of course Denis Reinhardt told the ABC: *"All requirements of the EPO have been met including the replacement of impermeable material covering the waste rock dump"*. However, the department says it is *"currently investigating alleged non-compliance"* with the April environment order.

Other pollution disasters from copper mining include the **Lady Annie Copper Mine disaster** in the Upper Lake Ayre catchment in 2009; the **Redbank copper mine disaster** in the Northern Territory; and the pollution of the **King River in Tasmania**, an historic event that has left that waterway with the unenviable title of "Australia's most polluted river".

## **Lady Annie Copper Mine disaster, 2009.** **(Published in *Anthropocene*)**

The 2009 Lady Annie Copper Mine spill, was a massive event which resulted in a record fine of \$500,000 for causing serious environmental harm. The spill released at least 447 megalitres (178 Olympic-sized swimming pools) of metal-contaminated water into the Saga and Inca creeks that rise in the upper Lake Eyre catchment of NW Queensland.

The rivers form part of the massive 1.2 million kilometre square catchment (a sixth largest of the Australian continent), which contain one of the world's last and largest unregulated wild river systems.

Environmental scientist Professor Mark P. Taylor and postgraduate student Jessica Little analysed more than 100 channel and floodplain sediments to measure the legacy of the spill and associated flooding on grazing lands. The principal aim of their study was to ascertain if the channel and floodplain grasslands contained safe levels of contaminants for cattle.

The spill released water contaminated with a range of metals including cobalt, copper, aluminium, sulphate, zinc, chromium, manganese and nickel – all at levels higher than livestock drinking water guidelines. This resulted in landowners having to move their stock to alternative grazing lands.

The study showed the flood left a legacy of some 41,300 metres cubed of copper contaminated sediment spread over a 47 kilometres of floodplain down the Saga and Inca creek systems, with the greatest impact within 5 kilometres of the mine. This was arguably the most significant metal contaminated water pollution spill event known to have ever occurred in the Lake Eyre basin.

Fortunately, that flooding reportedly caused only short-term effects that were toxic to aquatic fauna, with the study revealing that there was no serious contaminated legacy left in channel or floodplain sediments from the massive spill.

The study concluded that small, but frequent depositions of contaminants over extended historical timeframes are likely pose the greatest long-term risk to environmental quality and protection. However, the message from the study is clear. As mining moves into more remote locations, it is essential to have better monitoring and protection in order to ensure the last vestiges of wilderness such as the Lake Eyre are not irrecoverably damaged by human activities.”

**Note: The above event occurred in a remote desert location. Imagine a similar event occurring in the Mann River, in one of Australia's highest rainfall regions.**

## **Redbank copper mine disaster**

Locals no longer stop to drink the water or swim at Hanrahan's Creek in the Northern Territory. The water is freakish green and blue. A small faded sign nailed to a tree near the crossing advises the creek water is contaminated, warning against drinking, fishing or swimming.

The Redbank copper mine, just 500m from Hanrahan's Creek, has been leaching heavy copper sulfide directly into the creek for two decades. The creek is dead, and soaring toxicity levels have been recorded all the way to the Queensland border, 42km from the mine site, and beyond.

The mine's current owners, Redbank Copper Limited, acknowledged in a 2010 environmental impact statement that the "internationally important" Wentworth Aggregate wetlands, 80km downstream from the mine on the Queensland side, "may be affected by potentially contaminating activities".

An environmental engineer from Melbourne's Monash University has visited the Redbank mine site and describes it as, "*the most intensely polluted mine site I have ever seen - and I don't say that lightly.*"

Picking along Hanrahan's Creek, there are clumps of twisted metal used in the copper extraction process strewn everywhere; the pools of water are a vivid, peculiar colour, containing no life; and Moonlight Falls, a recorded Aboriginal sacred site, is bleached a harsh white from copper poisons.

Local graziers are concerned, one explaining: ***"The water runs past my front door, with elevated levels of toxins. They tell me it's not harmful for humans or livestock, but levels are too high for aquatic life. It was the absence of fish early on that alerted us and the authorities."*** They rightly question the assertion that water that has killed off all aquatic life is still alright for human consumption.

Copper was discovered at Redbank in 1916 and mined as a one-man show for decades. The operation was bought and sold numerous times until 1994, when Redbank Copper Pty Ltd got serious and developed a large open-cut pit and processing plant. **(Does this sound familiar?)**

Copper prices fell and the mine put in care and maintenance, with 70,000 tonnes of stockpiled copper ore on the site in 1996. There were more changes of ownership, until Redbank Mines Ltd, a Perth-based company, took over in 2006, renaming itself Redbank Copper Ltd in 2009. There has been no mining activity at the site since the mid-90s, but it has continued to steadily leach copper sulfide into the creek.

Redbank Copper barely registers a pulse on the Australian stock market. Its current share price is 0.003 - less than a third of a cent, and currently they're attempting to raise \$7.5m from investors by issuing 1.5 billion shares, valued at 0.005c, arguing the only way to solve the problems is to restart the mine.

But the prospectus, makes little mention of the mine's problems except to say that it is "addressing environmental improvements including water management, which is a current issue at the site".

***The copper concentrations measured in Hanrahan's Creek were about 377 milligrams per litre, where in a pristine stream it would be about 0.001 milligrams per litre. "So it's hundreds of thousands of times higher at Hanrahan's Creek. And you're seeing a copper signature in the water in Queensland."***

From the air, the mine site looks like many others, with an open pit and dazzling retention ponds. But on the ground, the problem is especially graphic. Dozers have created a waterway so any seasonal spill runs directly into Hanrahan's; and big black poly pipes from the technicolour ponds intravenously inject the waterway.

An internal memo from the NT Department of Mines and Energy, obtained by News Limited, from December 2012, states that Redbank Copper ***"has failed to comply with the majority of conditions of the licence"***, particularly failing to investigate biological impacts and water testing.

The memo said the Department's Environmental Monitoring Unit, in its largest ever field study of a damaged mine, found "copper contaminated water discharging from the site, via both surface and groundwater flows, has had and continues to have measurable adverse impact on water quality in creek systems" all the way to the Queensland border, where its jurisdiction ended.

The NT was considering action against Redbank, which has a \$150,750 security bond to cover damage to the site. Experts assert \$150,000 would not go anywhere close to rehabilitating the creek. ***"You would need to put a couple of zeroes on that figure."***



***River pollution. Deforestation caused by polluted sediment and water of the King River in Tasmania, arguably the most polluted river in Australia. Temperate rainforest trees coming into contact with the water die, leaving barren trunks of wood. The pollution is due to acid drainage from old mines, notably copper mines. Acid drainage must be reduced by more than 95% for life to return to the river. Some 9.4 million tonnes of mine waste is estimated to be deposited in the King River. Bottom sediments are mostly coarse smelter slag, while bank sediments are mainly tailings which oxidise to produce acid. The river could be devoid of aquatic life for another 200 years. Thought to be the most polluted river in Australia***