

TO:

Kevin Bortz,
Director, Natural Resources

Alistair Clark
Corporate Director, Environment and Sustainability

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European Bank for Reconstruction and Development

Bulgaria:

Centre for Environmental
Information and Education
(CEIE)
For the Earth!

Czech Republic:

Centrum pro dopravu a
energetiku
Hnutí Duha

Estonia:

Estonian Green Movement-FoE

Georgia:

Green Alternative

Hungary:

Nature Protection Club of
Eotvos Lorand University (ETK)
National Society of
Conservationists-FoE (NSC)

Lithuania:

Atgaja

Macedonia:

Eko-svest

Poland:

Polish Green Network (PGN)
Institute of Environmental
Economics (IEE)

Russia:

Sakhalin Environment Watch

Slovakia:

Friends of the Earth – Center
for Environmental Public
Advocacy (FoE-CEPA)

Ukraine:

National Ecological Centre of
Ukraine (NECU)

CEE Bankwatch Network's
mission is to prevent
environmentally and socially
harmful impacts of
international development
finance, and to promote
alternative solutions and public
participation.

30 March, 2012

Dear Mr. Bortz and Mr. Clark,

We would like to follow-up on letters sent in the fall 2011 regarding EBRD involvement in Lydian International operations in Armenia and raise several issues about the Amulsar Gold project.

We kindly remind that the EBRD promised a response to Bankwatch on 16 November 2011 and to post the project summary document for its investment in Lydian International via the Early Transition Counties Facility, in line with the new Public Information Policy of 2011. The EBRD has yet to do so however, while the company is reporting that it is in talks with the EBRD about acquiring shares to expand its operations and at the same time is looking to finalise Bankable Feasibility and the EIA process and receive approval from the Armenian government.

Bankwatch has been informed that the environmental (and social) impact assessment procedures have had many deficiencies, and we expect that the EBRD as a shareholder in this project influences Lydian International to adhere to the necessary ESIA requirements and as well would appreciate clarification of the following issues.

EIA procedure and public consultations

In its news release of 12 March 2012, Lydian International announced “as part of the permitting process for the development of its Amulsar project, it has received environmental impact assessment approval for the Company’s planned processing of gold-silver using heap leach technology.” In the same news release the Company also says, “The approval process included detailed analyses of alternative leach pad site localities, and the preparation of an independent Environmental Impact Assessment (EIA) report, detailing the preferred processing flow-sheet, which included three-stage crushing, conveying and stacking, cyanidation-leaching and gold-silver recovery in a conventional carbon adsorption, desorption, and regeneration (ADR) plant.”

The release further says, “The Company has also submitted a mining production plan, safety plan and EIA to applicable authorities in connection with its planned mine development and production at Amulsar. As part of the approval process the Company intends to submit additional items to the Ministry of Nature Protection for approval, including detailed engineering design for all planned construction activities at Amulsar, a certificate of change of land status and agreements for surface rights in the area of the proposed leach pad site and ADR processing facilities.”

At the same time, while EIA documentation has apparently been submitted to the Armenian authorities in October, no EIA documentation has been provided on the company’s website nor has evidence that meaningful public

hearings took place. As of February 2012 the Company's "response to stakeholders' concerns"¹ still claimed that "WAI are in the process of undertaking an Environmental and Social Impact Assessment (ESIA) for the Amulsar project".

We are aware that one public meeting was held on 12 March near the possible mine site and the village of Saravan, and according to the company, on the same day the approval for the heap leach technology was granted. However the Armenian Ministry of Nature Protection website² presents two different projects, and the one related to the 12 March hearing does not include cyanide heap leach technology, while the other includes under the section "proposed activities on the project".

On dialogue with stakeholders

The EBRD ESP says, "Clients shall ensure meaningful dialogue with affected parties and facilitate their informed participation in the decision-making process." However this has not been the case with Lydian International and its Armenian subsidiary Geoteam. While concerns have been raised by local NGOs, the company has yet to address the concerns of the Jermuk community and to establish proper dialogue.

At a 28 November 2011 public meeting with Geoteam in Jermuk, local residents expressed their discontent with the project development, and further communication with the community is not moving well – the company refused to participate in a conference on 13-14 March 2012.

Therefore we would appreciate clarification regarding the ongoing permitting procedures and the consultation processes with affected and interested public. What assessments have been completed and at what stage of receiving the necessary permits is the Amulsar project? Are such assessments done in line with EBRD Environmental and Social Policy? How has the EBRD, as a shareholder in the company, ensured that the public is adequately informed and consulted as part of the decision-making process?

Hydrological resort Jermuk

Jermuk is a protected hydrological reserve territory in Armenia. Jermuk provides two types of bottled mineral waters, currently exported to 18 countries worldwide, and its aquifers are very sensitive to any tectonic shifts.

Jermuk is also a balneological spa centre that will be inevitably affected by the proximity of the mine. Regarding the Jermuk resort zone development plan³, its boundaries will be as close as two kilometres from the proposed mine area.

Has the company assessed the high seismic vulnerability of this region and the risks that may be caused by explosions on the field? If yes, has this assessment been discussed with local authorities, citizens and NGOs?

Red list biodiversity

The Amulsar region is home to red-listed plants and animals, as well as a corridor of passage species such as Anatolian leopard, Armenian mouflon and wild goat.

¹http://www.geoteam.am/media/documents/Technical%20Reports/Stakeholder%20Concerns%20Reports/Response_to_Stakeholder_Concerns_ReportWAI.pdf

² <http://www.mnp.am>

³ "Strategy for development of the resort Jermuk" approved by governmental decision PA N1064 of 18.09.2009

To protect these species the Armenian Ministry of Nature Protection has joint programs with international organizations.

How has the company assessed the impact of the Amulsar mine project on biodiversity? Has this assessment been discussed with local authorities, citizens and NGOs?

Watershed area and Lake Sevan

The Amulsar project area is part of the catchment basin for the Vorotan and Arpa rivers, and Lake Sevan is supplied with water by the Arpa-Sevan tunnel. Lake Sevan is a strategic priority for Armenia and is protected by the law "On Lake Sevan" where any activity that threatens the conservation of the lake is prohibited. So far the Amulsar mine project does not analyse its development with respect to Lake Sevan, in that there is no data about what mine development, cyanide production and accumulation of waste dumps will mean for Lake Sevan.

Does the EIA discuss impacts on the Lake Sevan watershed?

Radiological risk

There are indications⁴ that uranium resources in the Amulsar area range from 76 to 100 tons.

The report on radioactivity assessment refers to provisions in the UK: "As this report refers to UK regulations, any local regulatory requirements in Armenia would need to be considered."⁵ but not Armenian measures. The only organisation in Armenia that can provide an official evaluation of the amounts of uranium is CSJC "Armenian-Russian mining organization".

How, if at all, is the question addressed in the EIA?

While Lydian Int. reports it has "expertise and a proven track record in discovering and developing new gold projects", there are no other projects described on its web-site than Amulsar and new Georgian mines that public can look at to evaluate the company's performance.

In light of the above, we ask the EBRD, as an experienced stakeholder in mining projects, to ensure that the EIA process for the Amulsar Gold project will follow the bank's ESP, Armenian legislation and international best practices, including proper involvement of public and independent experts to address concerns of the Jermuk community, risks regarding biodiversity and Lake Sevan, and radioactivity risks.

Looking forward for your reply,



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⁴ Aloyan J.P. Resource potential of the radioactive material in Armenia and perspectives of its exploitation. Mining Journal, 2007, # 6

⁵ http://www.geoteam.am/media/documents/Technical%20Reports/Impact%20Assessment%20Reports/Radioactivity_Impact_Assessment_Radman.pdf