

April 16, 2014

TO: Ms. Meg Taylor

Office of the Compliance Advisor/Ombudsman (CAO), IFC

We, the citizens of the Republic of Armenia and representatives of the public - Gndevaz villager Tehmine Yenoqyan, EcoLur Informational NGO represented by Inga Zarafyan, “EcoRight” NGO represented by Arthur Grigoryan, “Save Teghut” civic initiative represented by Anna Shahnazaryan, “Pan-Armenian Environmental Front” civic initiative represented by Levon Galstyan, “Center for Jermuk Development” NGO represented by Vazgen Galstyan, expert in environmental policy Sona Ayvazyan, “Center for Bird Lovers” represented by Silva Adamyan, “Armenian Women for Health and Healthy Environment” NGO represented by Elena Manvelyan - express our concerns with IFC support of Amulsar open-pit mining and heap leach facility construction, that put at risk the health and security of residents of Armenia and Caucasus.

Amulsar project is summarized on IFC website dated 10.03.2014 as following:<sup>1</sup>

Project number: 27657  
Company name: Lydian Intl  
Country Southern: Europe Region  
Sector: Gold  
Environmental category: B  
Date SPI disclosed January 21, 2009  
Projected board date February 23, 2009  
Department Reg Ind, Infra & Nat Res, EMENA  
Status Active  
Previous Events Invested: May 6, 2009  
Signed: March 26, 2009  
Approved: March 17, 2009

### **Project description**

Amulsar is located in central Armenia, approximately 120 km south of Yerevan. The project covers a region of epithermal-type gold mineralization. The mining right is held by Geoteam CJSC, an Armenian registered closed joint stock company. Geoteam CJSC is owned 100% by Lydian International Ltd. Outstanding shares 8.1% belong to IFC. Lydian International Ltd is a junior mining company focused on exploration projects in Eastern Europe and Central Asia. It is listed on the Toronto Stock Exchange. In Armenia, the project is strongly supported by US and UK Embassy in Armenia.<sup>2</sup>

### **Essence of Grievance**

Amulsar gold mining is promoted with gross violations of rights of citizens to health and healthy environment guaranteed by Article 32 of the Armenian Constitution as well as the related national legislation. Additionally there are violations of the following standards of social and environmental responsibility, declared by IFC:

1. Ensuring environmental and social sustainability
2. Rational use of resources and preventing environmental pollution
3. Protection of health and ensuring the safety of population.

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<sup>1</sup> See

<http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/DocsByUNIDForPrint/FE172931DB3A7776852576BA000E2CFF?opendocument>

<sup>2</sup> See <http://www.lydianinternational.co.uk/editorimages/documents/investorpresentation.pdf> and <http://www.mnp.am/?aid=1958>

Substantiation of the mentioned statement is presented below:

### **Violations of Legislation**

**Water and soil:** Amulsar deposit contains about 0.9 g/t gold, as well as admixtures, including highly toxic lead, cadmium, etc.<sup>3</sup> Total concentration of toxic metals exceeds the concentration of gold and silver. Concentration of admixtures is detected in the ore sample analysis carried out by Radman Association upon the order of Lydian International Ltd. If 2.5 million ounces of gold is mined, 56 million tons of dumps with admixtures will be formed. Admixtures will contaminate the main water resources in Armenia - water basins of Vorotan and Arpa Rivers, Kechout and Vorotan reservoirs as well as Lake Sevan, grossly violating the **Water Code of Armenia**.<sup>4</sup> Land areas - pastures, meadows and protected territories - surrounding Amulsar and the mentioned water resources will be exposed to pollution with toxic substances, too. Nevertheless, the Lydian International Ltd keeps silence about the presence of toxic admixtures and their impact on health and environment. Environmental impact assessment (EIA) report of Amulsar open-pit mining project submitted for environmental expertise of the Ministry of Nature Protection doesn't mention anything about the risks, which violates the requirements of **RA Law on Environmental Impact Expertise**.<sup>5</sup> On our part, we regard it as intentional concealment of information from competent bodies, local population and general public.

**Lake Sevan:** Territory of Amulsar project, including its infrastructures - open-pit mines, roads, heap leach facility, waste and industrial tail disposal facilities, warehouse facilities, including the warehouse for explosives – is mostly are located in then catchment area of Lake Sevan in the immediate impact zone. Lake Sevan is a national and strategic priority in Armenia and Caucasus Region with its freshwater reserves of 35 billion cubic meters. According to **RA Law On Lake Sevan**, Kechout and Spandaryan reservoirs are a part of Lake Sevan catchment basin, as well as Arpa and Vorotan river catchment basins,<sup>6</sup> meanwhile any activity having adverse impact on Lake Sevan ecosystem is banned in the central zone, in zones of direct and indirect impact.<sup>7</sup> These restrictions were neglected within the EIA report of Amulsar project and did not consider the likely risks for Lake Sevan ecosystem.

In the meantime, Scientific-Expert Committee on Lake Sevan Preservation, established on the basis of RA Law on Lake Sevan, gave its negative opinion on Amulsar project.<sup>8</sup> The Scientific-Expert Committee opinion (letter NE/18/2012) states: *“The place for tail accumulation at the height of 2570-2360 meters is located in a distance of several kilometers to the epicenter of a disastrous quake in 735. The project doesn't have any calculations and risk projections for a quake with a magnitude of 10... The territory of the tail accumulation has numerous outlets of ground waters, which will spread toxic substances from the tails to the Vorotan River, then through Vorotan-Arpa tunnel to Lake Sevan... Explosives may activate landslide processes with their unpredictable consequences....”*

Reports of Radman Associates show that radon concentration exceeds 400 Bq, but EIA report of Amulsar project did not say anything what measures shall be undertaken to reduce its levels<sup>9</sup> that caused serious concerns of the Scientific-Expert Committee.

**Uranium:** According to studies, reserves of uranium in Amulsar are estimated to be up to 76 tons and those of thorium - 100 tons.<sup>10</sup> Complainants think that Amulsar open-pit mining of gold quartzite may

<sup>3</sup> H.Avagyan. “Ways and Prospects of Mining and Metallurgical Industries in the Republic of Armenia”, “Gitutyun” Publishing House, Yerevan, 2011

<sup>4</sup> RA Water Code, Article 98 on Protection of Interconnected Ecosystems and Landscapes and Article 99 on Primary Requirements towards the Protection of Water Resources

<sup>5</sup> RA Law on Environmental Impact Expertise, Article 5

<sup>6</sup> RA Law on Lake Sevan, Article 3

<sup>7</sup> RA Law on Lake Sevan, Articles 8 and 10

<sup>8</sup> Authorities of the Scientific-Expert Committee are laid down in RA Law on Lake Sevan, Articles 19, 20 and 21

<sup>9</sup> See

[http://www.geoteam.am/media/documents/Technical%20Reports/Impact%20Assessment%20Reports/Radioactivity\\_Impact\\_Assessment\\_Radman.pdf](http://www.geoteam.am/media/documents/Technical%20Reports/Impact%20Assessment%20Reports/Radioactivity_Impact_Assessment_Radman.pdf)

also touch uranium deposits causing radioactive contamination of the area, particularly affecting Jermuk resort, Gndevaz, Saravan and Gorayk villages. In order to avoid these risks, there is a need for mapping the precise borders of uranium reserves. Meanwhile, uranium is a strategic raw material and its exploration is the monopoly of Armenian-Russian Mining Organization under **RA Government Decision N234** dated on 06.03.2008.<sup>11</sup> So, Geoteam's statements on uranium cannot be considered reliable, unless the company applies to Armenian-Russian Mining Organization requesting to map borders of Amulsar uranium deposit.

**Red-listed species:** According to studies of WWF-Armenia in 2013, there are a number of Red Book species detected in Amulsar and its adjacent areas. Those include one species of plants - Potentilla Porphyrantha, two species of lizards, eighteen species of birds and four species of mammals. EIA report of Amulsar project fails to provide adequate information on endangered plants and animals, stating that the project territory contains only one species - the Caucasian brown bear.

Implementation of Amulsar project violates requirements of **RA Mining Code** that bans mining in habitats of red-listed plants and animals, as well as migration corridors for animals.<sup>12</sup> It also violates **RA Law on Flora** which states that *“any activity resulting in the reduction of red-listed plant species and deterioration of their growth places is banned,”*<sup>13</sup> as well as **RA Law on Fauna** stating that *“any activity resulting in the reduction of red-listed animal species and deterioration of their growth places is banned.”*<sup>14</sup>

**Jermuk Resort:** Amulsar project poses essential risks for Jermuk resort located in a distance of 12 km from Amulsar. Jermuk is rich in hot springs and mineral water and famous for health facilities and the production of “Jermuk” bottled mineral water, being exported by Armenia. By **RA Government Decision N1064-N** “On Declaring Jermuk Town as a Tourism Center” dated 18.09.2008, Jermuk was recognized as a tourism center. Under Jermuk Development Plan, the border of tourism zone approaches Amulsar in a distance of 2-4 km. Jermuk residents think that Amulsar project will have its adverse effects on Jermuk brand as a resort and they will get deprived of their income. Despite residents' demands, Jermuk was not included in Amulsar project affected zone,<sup>15</sup> while residents' negative opinion on the project was not included in the list of the documents considered in EIA report.<sup>16</sup>

**Heap leach Facility:** Lydian International Ltd started buying land areas in Gndevaz Village for construction of the tailing dump. But the construction project of the heap leach facility does not mention any ‘tailing dump’, instead using another term - ‘waste landfill.’ By us this is regarded as another attempt to conceal information and real risks from the population.

### **Steps Taken to Solve the Problem**

Representatives of the concerned public have applied several times to IFC, Lydian International Ltd and its Armenian subsidiary Geoteam CJSC for public consultations.<sup>17</sup> Nevertheless, Geoteam CJSC not only did not take into consideration the concerns related to project risks, but also posed certain threats to its opponents. On 9 June 2012, “Jermuk Will Not Become a Mine” civic initiative organized a hiking to Amulsar with over 100 participants - representatives of the civic society. Geoteam CJSC did not allow entering the territory, but organized a rally of employees with offensive posters

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<sup>10</sup> G.P.Aloyan, “Resource Potential of Radioactive Raw Materials in Armenia and Its Development Perspectives,” *Mining Journal*, Issue 6, Moscow, 2007

<sup>11</sup> RA Government Decision N234 dated on 06.03.2008

<sup>12</sup> RA Mining Code, Article 26

<sup>13</sup> RA Law on Flora, Article 17

<sup>14</sup> RA Law on Fauna, Article 18

<sup>15</sup> See the claim of Jermuk resident Victoria Grigoryan

<sup>16</sup> See the letter of Jermuk Community Council <http://ecolor.org/hy/news/mining/open-letter-by-jermuk-mayor-varदान-hovhannisyán-to-geoteam-company/3911/>

<sup>17</sup> See the respective applications dated 08.07.2011, 13.03.2012

addressed to activists.<sup>18</sup> Then, the company terrorized EcoLur NGO, followed by a public statement by the latter.<sup>19</sup>

Complainants have also tried to raise their concerns before IFC representatives - Regional Manager in South Caucasus Thomas Lubeck, Contact Representative in Armenia Anna Dira and Investment Officer Arman Barkhudaryan,<sup>20</sup> but did not receive any reply. During his visit to Amulsar on 4-7 June 2013, Robin Weisman, Principal Investment Officer at IFC declared that "*The IFC chooses its clients, such as Lydian, in the mining industry very carefully. The most important criteria are the company's commitment to following good environmental and social standards.*" Meanwhile, he did not have any meetings and consultations with public representatives, who applied to IFC to highlight the environmental and social concerns and violations of environmental legislation that questioned the compliance to IFC standards of social and environmental responsibility. Only in March 2014, following the protests of a number of environmental groups at the International Conference "Responsible Mining in Armenia: Opportunities and Challenges" (March 25-26, Yerevan), complainants were invited to a separate meeting for exchange of information with some IFC representatives.

### **Concrete demands**

We, the undersigned representatives of the concerned public, are convinced that Amulsar gold open-pit mining and heap leaching technologies shall not be implemented taking into consideration the likely risks for health and security of local population and the whole region as well as legal violations associated with the project. Given the strong promotion of the Amulsar project by different actors, we believe that the most productive way to resolve the issue can be the application of the existing complaint mechanism. Hence, we apply to the Office of Compliance Advisor/Ombudsman with a request that IFC takes responsibility as one of major shareholders of Amulsar, examines substantiations provided in this appeal and arranges for an independent assessment, as necessary, to estimate the environmental damage and the compliance of the project with IFC standards. We believe that in case of verification of the mentioned risks, the IFC shall withdraw from participation in a company breaking its social and environmental standards.

Additionally, we would like to emphasize that the list of complainants include Tehmine Yenoqyan, Gndevaz villager, where the heap leach facility is planned to be constructed, and "Center for Jermuk Development" NGO, members of which represent the interests of Jermuk resort. Other signatories represent the concerned public in accordance with the Aarhus Convention, supported with the fact that Lake Sevan is a strategic freshwater reservoir and negative impacts on this resource will significantly affect the environment and health of the majority of Armenia's population.

Please note that we have all the originals of documents mentioned in the grievance, which we may send in a scanned format upon your request. If you have a questions, please contact with Inga Zarafyan, president of "EcoLur" Informational NGO.

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<sup>18</sup> <http://ecolur.org/en/news/mining/donvt-disturb-us-to-make-money-photos/3907/>

<sup>19</sup> <http://ecolur.org/en/news/mining/ecolur-open-letter-to-quotgeoteamquot-cjsc/3924/>

<sup>20</sup> See open letter to IFC <http://ecolur.org/en/news/mining/public-calling-for-ifc-stop-amulsar-project/5262/>