



Independent
Project
Accountability
Mechanism

Lydian (Amulsar Gold Mine) – Extension (48579)

REQUEST NUMBER: 2020/02

COMPLIANCE ASSESSMENT REPORT – November 2020

The Independent Project Accountability Mechanism (IPAM) is the accountability mechanism of the EBRD. It receives and independently reviews concerns raised by individuals or organisations about Bank-financed Projects, which are believed to have caused, or to be likely to cause, harm. The purpose of the mechanism is to facilitate the resolution of social, environmental and public disclosure issues among Project stakeholders; to determine whether the Bank has complied with its Environmental and Social Policy and the Project-specific provisions of its Access to Information Policy; and where applicable, to address any existing non-compliance with these policies, while preventing future non-compliance by the Bank.

IPAM is an independent function, governed outside the Bank's investment operations (i.e. outside of Bank management) with a direct reporting line to the Board of Directors through its Audit Committee.

For more information about IPAM, contact us or visit <https://www.ebrd.com/project-finance/ipam.html>.

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How can IPAM address my concerns?

Requests about the environmental, social and transparency performance of the EBRD can be submitted by email, telephone or in writing at the above address, or via the online form at:

 <https://www.ebrd.com/project-finance/independent-project-accountability-mechanism/how-ipam-works.html>

LIST OF ABBREVIATIONS

Abbreviation	Long Form
AIP	EBRD Access to Information Policy
CSO	Civil Society Organisation
Client	Lydian International Limited
EU	European Union
E&S	Environmental and Social
ESD	EBRD Environment and Sustainability Department
ESIA	Environmental and Social Impact Assessment
ESMM	Environmental and Social Mitigation Measures
ESAP	Environment and Social Action Plan
ESP	EBRD Environmental and Social Policy
GIP	Good International Practice
IFC	International Finance Corporation
IFI	International Financial Institution
IUCN	International Union for the Conservation of Nature
Lenders	EBRD and IFC
PAP	2019 Project Accountability Policy
PCM	Project Complaint Mechanism
PCM RPs	2014 Project Complaint Mechanism Rules of Procedure
PPP	Public Private Partnership
PR	Environmental and Social Policy Performance Requirement
Project	Lydian (Amulsar Gold Mine) – Extension (48579) Project
SEP	Stakeholder Engagement Plan
SIA	Social Impact Assessment
SPS	Safeguard Policy Statement
ToR	Terms of Reference
USD	US Dollars

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EXECUTIVE SUMMARY

Request:

In June 2020, a [Request¹](#) was registered in relation to the EBRD's [Lydian \(Amulsar Gold Mine\) – Extension \(48579\)](#) Project in Armenia. The Request alleges that: (i) the Project has negatively affected the water, air, land, wildlife and community health and livelihoods of five residential settlements of Jermuk; (ii) the Project had caused dust pollution and had an impact on the water supply which has contributed to the pollution of drinking and irrigation water, along with fish farms in Gndevaz; (iii) uranium pollution and dust emanating from the Project site might impact the health of residents; (iv) IUCN red-list species and species protected by the Bern Convention² might have been impacted by the Project; (v) the Project negatively impacted the cultural and historical heritage of the city of Jermuk and thereby damaging its reputation as a prestigious health spa centre; and finally; (vi) the Jermuk Community was not consulted in public discussions conducted as part of the national led EIA process.

The Requesters assert that these concerns have collectively contributed to a series of environmental and social impacts on the surrounding environment and communities, particularly those from Jermuk. In their [Request](#), the Complainants call for IPAM to conduct a Compliance Review.

The Project

The EBRD [Lydian \(Amulsar Gold Mine\) – Extension Project \(48579\)](#) was approved on 20 July 2016 as a Category A project under the [2014 ESP](#), after Lydian International Limited had completed exploration of the Amulsar gold deposit and had secured financing to start mine development. It represents an EBRD investment in the amount of CAD 11.4 million to sustain its shareholding in Lydian International Limited (“the Client” or “the Company”), a publically-listed company, registered in Jersey, Channel Islands and traded on the Toronto Stock Exchange, with its key asset the Amulsar gold deposit in Armenia

Lydian International became insolvent in 2019 at which time it applied for protection, allowing it to restructure its business and financial affairs. As a result of this, from July 2020, the Amulsar gold deposit is owned by Lydian Ventures of Canada, where the EBRD is not a shareholder. The EBRD remains a shareholder, for now, in Lydian International of Jersey, which has no assets. At the time of issuance of this report, the liquidation proceedings are still pending and their completion will result in the termination of EBRD's shareholding in the Client.

Assessment of Request Eligibility for Compliance Review:

Following careful review of the Request, relevant project documentation, and insights derived from conducting key interviews with Requesters, the Client and Bank Management, IPAM finds that the

¹ Unless otherwise indicated, capitalised terms used in this Report are those as set forth in the 2019 Project Accountability Policy, available at: <https://www.ebrd.com/project-finance/independent-project-accountability-mechanism/ipam-policies.html>

² Bern Convention on the Conservation of European Wildlife and Natural Habitats, signed on 19 September 1979 and effective from 1 June 1982

eligibility criteria for a Compliance Review as set out in Section 2.6 of the IPAM Policy are met, namely that:

- Upon preliminary consideration it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to Requesters (or, if different, the relevant Project-affected People); and
- There is indication that the Bank may have not complied with the [2014 Environmental and Social Policy \(ESP\)](#) in relation to:
 - Performance Requirement (PR) 1: Assessment and Management of Environmental and Social Impacts and Issues;
 - PR 3: Resource Efficiency, Pollution Prevention and Control;
 - PR 4: Health and Safety;
 - PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
 - PR 8: Cultural Heritage;
 - PR 10: Information Disclosure and Stakeholder Engagement.

Consequently, the IPAM Head has determined that the [Request](#) satisfies the Compliance Review eligibility criteria, as set out in the [2019 Project Accountability Policy](#). IPAM will therefore initiate a Compliance Review for the Lydian (Amulsar Gold Mine) – Extension (48579) in November 2020.

COMPLIANCE ASSESSMENT

1. BACKGROUND

1.1 The Project

The EBRD [Lydian \(Amulsar Gold Mine\) – Extension Project \(48579\)](#) was approved on 20 July 2016 as a Category A project under the [2014 ESP](#), after Lydian International Limited had completed exploration of the Amulsar gold deposit and had secured financing to start mine development. It represents an EBRD investment in the amount of CAD 11.4 million to sustain its shareholding in Lydian International Limited (“**the Client**” or “**the Company**”), a publically-listed company, registered in Jersey, Channel Islands and traded on the Toronto Stock Exchange, with its key asset the Amulsar gold deposit in Armenia. The financing thus provided had been earmarked for financing two of the Environmental and Social Mitigation Measures (ESMM) undertaken by the Company with respect to the Environmental and Social Action Plan (ESAP) on the mine development of its Amulsar Gold Mine³. The equity investment supplements the Bank’s earlier involvement in the Project during its exploration and development stage.

The Project initiated construction activities in October 2016 which proceeded till June 2018 when access to the mine was prevented by local protesters and demonstrations. Due to the ongoing blockade of the mine all project related activities have ceased from June 2018 to date.

Lydian International became insolvent in 2019 at which time it applied for protection, allowing it to restructure its business and financial affairs. Based on the above, a corporate restructuring plan was adopted resulting in the Company’s existing senior secured lenders in Lydian Canada, Lydian UK and Lydian Armenia CJSC owning and controlling the assets while Lydian International Limited being subjected to closure proceedings before the competent Jersey court. As of July 2020, the Amulsar gold deposit is owned by Lydian Ventures of Canada, where the EBRD is not a shareholder. The EBRD remains a shareholder, for now, in Lydian International of Jersey, which has no assets. At the time of issuance of this report, the liquidation proceedings are still pending and their completion will result in the termination of EBRD’s shareholding in the Client.

EBRD ceased active monitoring of the implementation of the Environmental and Social Impact Assessment (ESIA) when site activities had stopped. This eliminated all plausible mechanisms by which EBRD could continue to monitor the Client and the Project. It is understood EBRD’s financial interest in the Amulsar project also ceased at the same time.

1.2 The Request

IPAM received a Request with respect to the Project on 19 May 2020⁴ which was registered on 12 June 2020 and disclosed on the IPAM [Case Registry](#).

The [Request](#) (Annex 1) was submitted jointly by twenty three local residents and co-signed by a regional CSO CEE Bankwatch Network and four local CSOs: (i) “EcoLur” Informational NGO; (ii)

³ The Project Summary Document is available at <https://www.ebrd.com/work-with-us/projects/psd/lydian-amulsar-gold-mine-extension.html>

⁴ Request 2020/02, available on the [Case Register](#) and in Annex 1 of this Report.

“Forests of Armenia” NGO; (iii) Green Armenia” NGO; and (iv) “Armenian Environmental Front” Civic Initiative. It alleges failures of the Bank to comply with its 2014 Environmental and Social Policy and public disclosure of information. In summary, the Requesters have raised the following concerns:

- Performance Requirement (PR) 1: Assessment and Management of Environmental and Social Impacts and Issues - it is alleged that the Project has negatively affected the water, air, land, wildlife and community health and livelihoods of 5 residential settlements of Jermuk;
- PR 3: Resource Efficiency, Pollution Prevention and Control - it is alleged that the Project had caused dust pollution and had an impact on the water supply which has contributed to the pollution of drinking and irrigation water, along with fish farms in Gndevaz;
- PR 4: Health and Safety - it is alleged that uranium pollution and dust emanating from the Project site might impact the health of residents;
- PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources - it is alleged that IUCN red-list species and species protected by the Bern convention⁵ might have been impacted by the Project;
- PR 8: Cultural Heritage - it is alleged that the Project negatively impacted the cultural and historical heritage of the city of Jermuk and thereby damaging its reputation as a prestigious health spa centre; and finally
- PR 10: Information Disclosure and Stakeholder Engagement- it is alleged that the Jermuk Community was not consulted in public discussions conducted as part of the national led EIA process.

Further, the Request asserts that combined these issues have led to environmental and social impacts to the communities and lands in the project environs with particularly significant impacts to the Jermuk community residents. Requesters ask that that the Project be stopped, and a full investigation of impacts studied through a Compliance Review process undertaken by IPAM.

1.3 Risk of Retaliation

From the Registration stage, Requesters have reported to IPAM about confrontations between community members, private security guards and local police at the blockade site. Additionally, Requesters raised fear of retaliation with IPAM which triggered the conduct of a desk review of the risk environment. At that moment, no additional steps or measures were deemed necessary but as the case progresses, IPAM will reassess the situation and discuss with Requesters about the joint establishment and implementation of appropriate measures.

1.4. Request Registration and Assessment Report

On 1 July 2020, the Project Complaint Mechanism (PCM) was replaced by the Independent Project Accountability Mechanism (IPAM) and the 2019 Project Accountability Policy (PAP) came into effect. Consequently and from that date forward, the management of this Request follows the transitional provisions established in Section V of the 2019 PAP for cases with ongoing eligibility assessments. In line with this guidance, and during the assessment stage, the Request was

⁵ Bern Convention on the Conservation of European Wildlife and Natural Habitats, signed on 19 September 1979 and effective from 1 June 1982

screened to establish and ensure that all Registration criteria set out in the 2019 IPAM Policy were also suitably met.

As per paragraph 2.3. of the IPAM Policy, IPAM conducted an Assessment and determined the following:

- Problem Solving would offer limited potential for a constructive dialogue and a positive outcome due to the lack of trust between the Parties;
- There are no indications that the Parties would be able to maintain a safe environment for conducting meaningful dialogue; and
- The Parties share irreconcilable differences in their own principles which would not be possible to be resolved in the course of a Problem Solving initiative.

On the basis of the assessment results and pursuant to para. 2.3. a) point v) letter b) of the Policy, the Request was moved forward to a Compliance Assessment process as IPAM determined that engaging in a Problem Solving process was not feasible. Requesters had also expressed their interest to have their Request transferred to Compliance Review. The [Amulsar Assessment Report](#) detailing these findings was issued on the 7 August 2020.

2. COMPLIANCE ASSESSMENT METHODOLOGY

To determine whether the Compliance Assessment criteria set out in Section 2.6 of the 2019 Project Accountability Policy had been met, IPAM examined the Request, supporting documents and other information provided by the Requesters, EBRD Management and the Client.

The assessment process was conducted through:

- an in-depth review and analysis of the Request, supporting documents and spatial data provided by the Parties and also research independently conducted by IPAM;
- a review of the formal written response⁶ to the Request provided by EBRD Management on 7 September 2020 (see Annex 2).
- IPAM requests for additional documentation based on the first round of desk review of Project documentation provided; and
- the convening of a series of meetings with Requesters, the Client and EBRD Management to discuss their views on the documentation and materials provided, continuing written communications through October 2020.

In the context of the prevailing COVID-19 (coronavirus) pandemic and in accordance with our [commitment to health and safety](#) during this crisis, and the Bank's moratorium on travel - a site visit was not conducted as part of the Compliance Assessment phase. Notwithstanding the limitations, the extensive documentation and spatial data provided and online active engagement

⁶ The Client though invited to submit a written response did not elect to do so.

with all participants to the process was deemed sufficient to undertake the assessment for proceeding with a compliance review based on the PAP provisions.

3. SUMMARY OF OTHER PARTIES' VIEWS

Formal responses to the Request provided by EBRD Management and the Client are summarised in turn below.

3.1. EBRD Management Response

EBRD Management asserts that considerable resources have been invested (over a period in excess of ten years) towards the structuring of the Project to meet the issues raised in the PRs cited in the Request. They assert that each of the issues raised in the Request have been assessed in detail and have also been discussed with the Requesters.

With reference to PR 1 – Management states that each of the issues raised in the Request have been extensively assessed and reported in each version of the Amulsar ESIA produced. They further argue that supporting technical documentation has either been disclosed or otherwise provided to project stakeholders confirming that each of these issues were assessed and, where necessary, mitigation measures designed to ensure that the requirements of PR1 were met. Finally they affirm that the very nature of a mining project is such that project site impact is inevitable, however, the mitigation measures and, where necessary, offset plans they designed were in accordance with the PRs.

For PR 3 – Management confirms that they closely monitored the construction phase of the Project [up to site blockade and closure in 2018], with the assistance of a suitably qualified and internationally recognised mining consultancy, who confirmed that mitigation measures were designed in accordance with Good International Practice. Further they state that EBRD reviewed the Grievance Mechanism to ensure that any complaints related to construction activities were adequately addressed in an effective and timely manner, and that each grievance was adequately resolved. With regard to alleged disruptions to water supply for drinking and irrigation purposes, they uphold that the client reinstated a water supply known as the Gndevaz channel that supplied irrigation water from the Vorotan River to Gndevaz, this supplemented (and was identified as a mitigation measure) for the disruption to water supply for irrigation during the construction period.

For PR 4: Management confirm that the potential presence of uranium and the impact of local communities has been robustly discounted and presented in the ESIA.

For PR 6: Management confirm that priority biodiversity features and critical habitat were identified during the preparation of the ESIA. Extensive works have been completed in line with EBRD's PR6 mitigation hierarchy to ensure 'No Net Loss'. They assert that the implementation of the Biodiversity Action Plan, Biodiversity Management Plans (which included the offset strategy) were in place to ensure that the requirements of PR6 were met and, until recently, the offset strategy was proceeding successfully until blockade of the site by protestors has meant that the implementation of the offset measures has ceased and this has compromised the ability of the project to implement the PR6 related commitments fully. In relation to a parallel complaint that has been submitted to the Bern Convention by the Requesters, EBRD expresses that it is confident that PR6 compliance can be demonstrated and that any Bern Convention issues will be addressed by the appropriate channels between the Secretariat and the Government of Armenia on the specifics of the Bern Convention.

For PR 8: Management states that the primary impact of the Project during the construction phase on Jermuk was identified as worker influx and accommodation. They affirm that these aspects were extensively appraised and consulted both in Jermuk and in Yerevan and mitigation measures were established to meet the requirements of PR8. They opine that the benefits of the project to Jermuk and surrounding communities, including employment, supply chain creation and community investment has ceased as a result of the blockade of the project. Potential impacts on the cultural and historical heritage of the city of Jermuk was considered in all relevant chapters of the ESIA v10. They inform that as a consequence, the Project was structured to meet the requirements of PR8 as demonstrated by all the relevant studies and records of consultation.

For PR 10: Management comments that EBRD's ESP is designed to complement and supplement national EIA requirements and the details of the extensive consultations undertaken in and around the project area with project affected people and communities have been provided [ESIA v10], and have included multiple stakeholder meetings in Jermuk. It affirms that a decade of consultations has been undertaken by the Client, including in Jermuk's five communities, in line with the requirements of PR10.

3.2. The Client Response

In meetings conducted with the Client, a rebuttal of the issues raised in the Request was presented and supported with a series of studies. Additionally, they informed of their oversight activities stemming from as far back as 2007 for each of the issues raised in the Request. Further, the Client in their presentation of supporting facts and arguments presented as part of this engagement, emphasised that they felt in many instances and particularly with regard to issues related to PR 10 (Information Disclosure and Stakeholder engagement) and PR 6 (Biodiversity Conservation and Sustainable Management) and citing the guidance of EBRD Management provided on these matters, that they had gone far beyond the required levels of diligence and oversight required of a project of this nature.

For all issues raised in the Request, detailed descriptions of PR specific related due diligence and oversight were provided and references to where further analysis and studies were undertaken were presented. The Client confirmed that in their opinion there was no validity to the issues expressed in the Request and welcomed a full investigation to look into these matters further should that be required.

4. COMPLIANCE ASSESSMENT FINDINGS AND DETERMINATION

Through the Compliance Assessment process outlined in Section 2.6 (b), IPAM confirmed that the Request meets the Compliance Review eligibility criteria outlined in the 2019 Project Accountability Policy, as:

- i. it appears that the Project may have caused, or be likely to cause, direct or indirect and material harm to the Requesters; and
- ii. there is an indication that the Bank may not have complied with provisions of the Environmental and Social Policy and the Project-specific provisions of the Access to Information to Policy, in force at the time of Project approval.

Preliminary review conducted during the Compliance Assessment Process (based on the information available) signalled the need for IPAM to analyse in greater depth, several of the issues raised against the corresponding PRs cited in the Request which collectively warrant further investigation. At this time, due to the current limitations faced due to COVID-19, IPAM has taken the decision to include all the issues raised in the Request, but during the investigation the scope may be revised.

The Request raises a series of allegations of harm, both actual and potential related to the Project development which range from negative impacts on health of the community to disruption of economic activities (farming, tourism) of the area due to water and aggravated dust pollution; inadequate management of heavy metals and loss of biodiversity. As per the allegations, actual environmental harm has already occurred as a result of water and air pollution; water supply disruption: and loss of livelihoods.

IPAM has therefore concluded that on the basis of the conflicting information provided by the Parties on the different topics raised in the Request, the 'potential gaps' identified during the compliance assessment process and the serious nature of the allegations of harm, a compliance review process would be required to fully determine the Bank's compliance/non-compliance on each of the issues raised against the corresponding PR cited in the Request. In parallel IPAM acknowledges that the scope of the Compliance review would also need to factor in EBRD's recent involuntary exit from the project and the end of the Client relationship, and thus would seek to focus the investigation on identification of systemic issues that might potentially negatively impact communities in this and other Bank-funded projects, but also might affect project performance and the environmental and social sustainability of transactions; and ultimately the reputation of the EBRD.

The Compliance Review process will be initiated in November 2020 within five business days of the publication of this Compliance Assessment Report. The Compliance Review Terms of Reference are presented below.

COMPLIANCE REVIEW - TERMS OF REFERENCE

5. ABOUT THE COMPLIANCE REVIEW

For purposes of this Compliance Review these Terms of Reference apply to all actions undertaken as part of the EBRD financed components of the Lydian (Amulsar Gold Mine) project. The objective of the Compliance Review is to determine whether the Bank, through its actions or inactions, has failed to comply with the [2014 Environmental and Social Policy](#), in respect of the EBRD financed component of the Project.

Activities carried out under these Compliance Review Terms of Reference may be subject to modification, provided that the IPAM Head expressly agrees to the change(s), and so long as such changes do not prejudice the interests of any Party.

The Compliance Review shall be undertaken in a **neutral, independent and impartial manner**, and will be guided by principles of objectivity and fairness, giving consideration to (among other things): the rights and obligations of the Parties; the general circumstances surrounding the Request; and due respect for EBRD staff.

In line with the provisions of the 2019 Project Accountability Policy, the compliance review process will be led by IPAM staff and where deemed necessary supported with external technical expertise. The IPAM Head, Ms. Victoria Márquez-Mees is responsible for overseeing the compliance review process and is accountable for the determinations made as a result of the process.

5.1 Compliance Review Schedule

The Compliance Review will be initiated following consultation of the Terms of Reference with all Parties and the posting of this Compliance Assessment Report to the IPAM [Case Registry](#). In accordance with the 2019 Project Accountability Policy (PAP), the Compliance Review will be conducted as expeditiously as possible, and within 140 Business Days of its commencement, A preliminary schedule of the main milestones to be delivered is presented below:

Activity	Estimated Date
Compliance Review commencement	9 November 2020
Call with All Parties	4 – 22 January 2021
Site visit and consultations*	February – March 2021
Draft Report circulated to Parties**	Week beginning 5 April 2021
Final Report sent to the Board	Week beginning 17 May 2021

* Subject to ability to travel mindful of regional stabilities and ongoing staff moratorium on travel in light of global pandemic.

** If findings of non-compliance with 2014 ESP are identified.

Mindful of the ongoing global coronavirus pandemic, the existing moratorium on EBRD staff travel and coupled with ongoing regional instability, there might be a need to structure the schedule which may have a possible impact on meeting timelines for completion of this case. Final decisions relating to the scope and time frames of the Compliance Review Process will be at the discretion of the IPAM Head.

5.2. Compliance Review Scope

The Compliance Review scope is outlined below, based on issues raised in the Request; the outcomes of primary and secondary data collection by IPAM; and consideration of the relevant provisions of 2014 ESP. Although the Terms of Reference makes reference to specific PRs, it does consider (and does not further preclude) potential inter-linkages between the different PRs.

With respect to the general commitments arising under the 2014 ESP:

- a) Did the Bank seek within its mandate to ensure, through its environmental and social appraisal and monitoring processes, that the Project was designed in compliance with applicable regulatory requirements and good international practice in line with para B.6?⁷ In particular, did the Bank recognise the ratification of international environmental and social agreements, treaties and conventions by its countries of operations and in line with para B.8?
- b) During the environmental and social impact assessment process, did the Bank promote good practice in stakeholder engagement and information disclosure to its Client, in accordance with ESP B.15, and PR 10.2?

PR 1: Assessment and Management of Environmental and Social Impacts and Issues

Did the Bank seek within its mandate to ensure, through its environmental and social appraisal and monitoring processes, that the Project was designed in compliance with stipulated Category A project requirements in accordance with PR 1.10?

As part of the Project monitoring and reporting requirements did the Bank seek within its mandate to ensure monitoring requirements were proportional to the nature of the project and its environmental and social impacts and issues? Specifically, how did the Bank seek to ensure itself that project monitoring was in line with requirements stipulated in PR 1.25 and Bank oversight met requirements stipulated in PR 1.26; PR 1.27; PR 1.28 and PR 1.29?

PR 3: Resource Efficiency and Pollution Prevention and Control

Did the Bank seek to ensure that the Client's environmental and social assessment process determined the appropriate pollution prevention and control methods, technologies and practices to be applied to the Project, best suited to avoid or minimise adverse impacts to human health and environment, taking into consideration the release of pollutants due to routine, non-routine or accidental circumstances, in line with PR 3.8 and PR 3.13?

⁷ Regulatory requirements in force at the time of environmental and social due diligence and/or those in force during Project monitoring to date.

PR 4: Health and Safety

Did the Bank seek to ensure that the client, as part of its environmental and social assessment process, identify the relevant requirements of PR 4 with specific regard to alleged dust and uranium risks and how they might be managed as part of the ESIA process and the project specific Environmental and Social Action Plan (ESAP), as provided in PR 1.

Did the Bank ensure that the client provided affected communities with adequate information, guidance and training relating to health and safety hazards, risks etc. that are necessary for their safety throughout the project and in line with PR 4.10 and PR 4.17?

PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Did the Bank ensure that the client as part of its assessment process identify and characterise the potential project related opportunities, risks and impacts on biodiversity in line with PR 6.8? Specifically how did the Bank ensure where potential project related impacts to biodiversity had been identified that risks were managed in accordance with the mitigation hierarchy and GIP in line with PR 6.11; PR 6.12; PR 6.13 and PR 6.14?

PR 8: Cultural Heritage

During the environmental and social assessment process, did the Bank ensure that the Client incorporated relevant cultural heritage requirements into the Project's Environmental and Social Action Plan (ESAP), in line with PR 8.5; PR 8.8; PR 8.12 and PR 8.15?

PR 10 - Information Disclosure and Stakeholder Engagement

Did the Bank make reasonable efforts to confirm that the consultation process met not only the formal regulatory process in the country, but also the applicable requirements regarding: appropriate stakeholder identification in line with PR 10.9; meaningful consultation in line with PR 10.18; and relevant aspects of information disclosure in line with PR 10.16?

5.3. Compliance Review Methodology

The Compliance Review shall be conducted in a manner consistent with the [2019 PAP](#), and in consideration of the context of the Request. The Compliance Review shall involve:

- a) a review of the Request, the Bank's response, the Client's response, the Assessment Report, and all meeting minutes and notes produced in the development of the Report;
- b) a review of the public, EBRD and Client documentation relevant to the Request;
- c) engagement with the Requesters, the Client, EBRD Project staff (including personnel from the Bank's Environment and Sustainability Department, the Operational Lead, the relevant EBRD Resident Office, and consultants involved in the Bank's appraisal, implementation and/or monitoring of the Project), as well as other stakeholders as relevant for the execution of the Compliance Review, gathering further Project data, as relevant. Additional information may be gathered through oral or written communications, meetings, the receipt of supplementary Project documentation, and other engagement methods, as appropriate;

- d) a site visit;
- e) identification and hiring of additional technical expertise should there be specific issues that would requiring addressing;
- f) in the case of a finding of non-compliance, the provision of recommendations, identifying changes to EBRD practices, procedures, guidance or systems to bring the Bank into compliance and to avoid recurrence of such or similar situations.
- g) any other action as may be required to complete the Compliance Review within the required schedule at the instruction of the IPAM Head, as appropriate.

In order to ensure timely completion of this compliance review, IPAM shall require from Bank Management full, unrestricted access to relevant Bank staff and files. All relevant Parties must endeavour to comply with requests from IPAM for obtaining access to sites,⁸ submission of written materials, provision of information and attendance at meetings. Any situations where the actions or lack of action by any Party hinders or delays the conduct of the Compliance Review may be referenced in the Compliance Review Report.

Access to, use and disclosure of, any information gathered by IPAM during the Compliance Review process shall be subject to the Bank's Access to Information Policy and any other applicable requirements to maintain sensitive commercial and/or other information confidential. IPAM will not release any document or information that has been provided on a confidential basis without the express written consent of the party who owns such document.

5.4. Compliance Review Report

Upon the completion of the Compliance Review, IPAM will prepare a Compliance Review Report to present the findings, and will include:

Executive Summary

- 1. Case Introduction
 - 1.1. The Project cited in the Request
 - 1.2. The Parties to the Case
 - 1.3. The Request
- 2. Case Processing and Compliance Review Methodology
 - 2.1. Compliance Review Objectives
 - 2.2. Case Processing Prior to the Compliance Review
 - 2.3. Compliance Review Methodology
- 3. Compliance Review Framework
 - 3.1 The Bank's Obligations in the Application of the 2014 ESP PRs
 - 3.2 Overview of the Bank's Involvement in the Project
- 4. Analysis of the EBRD's Compliance with the 2014 ESS

⁸ Should the EBRD COVID moratorium on travel be lifted and access to sites deemed necessary during the course of the Compliance Review. There is no anticipated lifting of the EBRD travel ban to Armenia at this time.

For each of the following Performance Requirements: PR1, 3, 4, 6, 8 and 10

4.1 Performance Requirement (PR) 1: Assessment and Management of Environmental and Social Impacts and Issues

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

4.2 PR 3: Resource Efficiency, Pollution Prevention and Control

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

4.3 PR 4: Health and Safety

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

4.4 PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

4.5 PR 8: Cultural Heritage

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

4.6 PR 10: Information Disclosure and Stakeholder Engagement

- Parties' Positions
- Policy Obligations
- Compliance Review Findings

5. Recommendations (should findings of non-compliance be identified)

- Project-specific Recommendations
- Procedural / Systemic Recommendations

6. Monitoring of Management Action Plan (subject to findings of non-compliance)

ANNEX NO. 1 REQUEST

To the attention of EBRD PCM Officer, [REDACTED]

Dear [REDACTED]

We are sending for your consideration the complaint filed by the residents of the affected communities by Amulsar gold-bearing quartzite mining project and would like to inform that CEE Bankwatch Network, “EcoLur” Informational NGO, “Forests of Armenia” NGO, “Green Armenia” NGO and “Armenian Environmental Front” Civic Initiative are supporting the complaint of the residents and joining this complaint.

Sincerely,

19 May 2020

CEE Bankwatch Network
“EcoLur” Informational NGO
“Forests of Armenia” NGO
“Green Armenia” NGO
“Armenian Environmental Front” Civic Initiative

Attached is the complaint (7 pages)

To the attention of EBRD PCM Officer [REDACTED]
from the residents of Jermuk Community,
Vayots Dzor Region, Armenia

Request for a compliance review on Amulsar Gold Mine project

Dear [REDACTED]

The undersigned community members are impacted by Amulsar gold-bearing quartzite mining project (Lydian Extension, 2016, #48579), which is promoted by Lydian International and financed by the European Bank for Reconstruction and Development (EBRD). Together with civil society organisations from Armenia, we are requesting from the Independent Project Accountability Mechanism (IPAM) of the EBRD to undertake a compliance review of the Amulsar project with the Bank's Environmental and Social Policy and established principles.

The project developer, Lydian International, with the help of the former government of Armenia, and with the financial and moral support of the EBRD, has failed to apply good international standards with regards to impact assessment and meaningful consultations with project affected people and to take the opinion of the local population into consideration. We believe that the EBRD, as an investor in Lydian, has failed to ensure that the project complies with the requirements of the bank's Environmental and Social Policy. As a result, the EBRD and its client, Lydian International, have failed to properly protect our nature (waters, air, land and wildlife), our community's health and livelihoods (orchards, pasture, food production), and the economy of 5 residential settlements of Jermuk enlarged community, including that of Jermuk resort town (based on health, rural and environmental tourism and mineral water, clean agriculture).

Complaints were already submitted to the EBRD's Project Complaint Mechanism (PCM) in 2014, as well as to the Compliance Advisory/Ombudsman (CAO) of the International Finance Corporation of the World Bank (IFC).

The CAO closed the complaint with the following conclusion: CAO's monitoring found that IFC's response to CAO's compliance investigation has only partially addressed the findings at systems-level and has not addressed the project-level findings. Nevertheless, CAO has decided to close both cases considering that IFC has no ongoing investment in

the company, and in light of IFC's decision not to engage in a project-level response with its former client or the complainants."^{9 10}

The EBRD PCM found our complaints premature ^{11 12}, because at that stage the EBRD has only invested in exploration (DIF Lydian, 2009, #42182) and not yet approved the mine development project (Lydian Amulsar Gold Mine - Extension, 2016, #48579)¹³. The rejection of our complaint, even if procedurally justified, was a missed opportunity to ensure an independent review and consideration of the position of the project affected communities on the project. Thus it was a missed opportunity to inform a proper due diligence process by the EBRD. The IPAM may choose to refer to both the PCM complaints and to the findings of the CAO, in as much as they are relevant to its review on the Amulsar Gold Mine project.

In 2018-2019 a number of organizations raised grievances on Amulsar project problems to the EBRD as good faith efforts. Nevertheless, the bank hasn't considered these problems, mentioning only Armenian Environmental Front out of these concerned as an improper complainant. ^{14 15}

As of 2018, the mine development was advanced and a lot of our concerns and fears have proven to be justified. **We already experienced serious environmental harm from the project, resulting from pollution of water, air and land.** We are concerned how toxic is the dust spreading from the project site. Though Lydian EIA says there won't be dust impact on Jermuk as a result of mining operations, once mine construction started, Jermuk experienced significant dust pollution. For example, in winter the snow would turn pink from dust coming from 8km away. After it rained there was a layer of dust on our cars and houses, which had never happened before the construction works.¹⁶

Noteworthy are the accidents that impacted drinking water in Gndevaz, irrigation water and fish farms in the area. In 2018, several cases of water supply disruption and

⁹ http://www.cao-ombudsman.org/cases/case_detail.aspx?id=221

¹⁰ http://www.cao-ombudsman.org/cases/document-links/documents/CAOCompliance_MonitoringReport_Lydian_Armenia-01and02_10022018.pdf

¹¹ https://www.ebrd.com/downloads/integrity/amulsar_complaint.pdf

¹² https://www.ebrd.com/downloads/integrity/amulsar2_complaint.pdf

¹³ <https://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism/pcm-register.html>

¹⁴ <http://www.armecofront.net/en/news/ebrd-investment-in-lydian-internationals-mining-project-in-amulsar-and-how-it-threatens-the-sustainability-of-the-region/>

¹⁵ <http://www.armecofront.net/en/amulsar-2/ebrd-renounces-its-liability-in-amulsar-mine-project/>

¹⁶ <http://www.armecofront.net/amulsar/jermuk/>

water pollution were recorded, though Lydian had in its EIA that the impact on the impact can be managed and won't be significant.”¹⁷

There are studies that show that acid drainage can impact surface water sources, like Darb, Arpa and Vorotan rivers, numerous springs in their catchment areas, Ketchut and Spandaryan reservoirs, and ultimately Lake Sevan, as well as underground waters.¹⁸

19 20 21 22 23

Gndevaz apricot orchard owners lost not just their land, but their livelihood that was not properly compensated. It should be mentioned that RA Investigative Committee initiated a criminal case on apparent abuses committed by the former head of Gndevaz community.²⁴ In addition, the town and spa of Jermuk experienced serious harm, such as reputational damage and negative economic and social impacts due to the loss of tourism.

Jermuk turned into a mining town, which is damaging its reputation as a prestigious health spa. Tourism in Jermuk suffered: people do not want to come for clean mountain air and healing mineral water treatments in a town full of miners, miners' dormitories and their muddy vehicles. The social fabric of our community was disrupted by the influx of mine workers.

The impact of uranium pollution on our air and health was not assessed. It is public knowledge that during Soviet times several expeditions did explorations in the area and discovered uranium deposits (“Горный журнал”, 2007, N 6,²⁵).

The opinion of the Scientific-Expert Committee on Lake Sevan Preservation also mentions about the radiation risks of Amulsar project, which was sent to “Center for Environmental Impact Expert Assessment” of RA Ministry of Nature Protection on Amulsar's project for 2012 submitted by Geoteam Company (now Lydian Armenia). The official letter of the committee particularly says: “The reports of Radman Associates show that radon concentration exceeds 400 Bq/m³, but the project EIA doesn't say anything

¹⁷ References to publications about accidents: <http://www.armecofront.net/amulsar/arpa-river/>,
<https://ecolor.org/hy/news/amulsar/--/10225/>, <https://ecolor.org/hy/news/amulsar/gndevaz-residents-blocked-roads-running-to-amulsar-and-demanding-to-stop-amulsar-project/10134/>

¹⁸ <http://www.armecofront.net/en/amulsar-2/ebd-twists-the-findings-of-elard-review-on-amulsar-gold-project/>
¹⁹ <http://www.armecofront.net/en/amulsar-2/missing-elements-and-underestimation-of-risk-in-lydians-2019-ni-43-101-technical-report-ann-maest-phd-buka-environmental/>

²⁰ <http://www.armecofront.net/en/news/amulsar-conclusions-of-international-renown-experts/>

²¹ <https://ecolor.org/files/uploads/pdf/amulsar%20Harut%20Bronzyan/bronzianconsultantsamulsar.pdf>

²² <http://investigative.am/images/2019/lydian/porcaqnnutyun/amulsar11.pdf>

²³ <https://ecolor.org/en/news/amulsar/--elard--/11536/>

²⁴ <http://investigative.am/en/news/view/amulsar-hoxataracq.html>

²⁵ <http://www.rudmet.com/journal/742/article/10433/?language=en>

what measures to be undertaken to reduce this level...” In terms of the project impact on Lake Sevan, the Committee mentioned, “The territory of the tail accumulation has numerous yields of groundwater due to its hydrogeological features, which will spread toxic substances from the tails to the Vorotan River, then through Vorotan-Arpa tunnel to Lake Sevan...”

Assessing the risks of Amulsar project, the Committee issued a negative opinion. Later in 2014, after the members of Sevan Committee changed, it issued a positive opinion to Amulsar project. The committee rejected to provide its positive opinion to the public.

The opinion of Jermuk citizens was not considered. There was not a proper public hearing on the EIA of the project and no consultation for citizens. Being at almost the same distance from the planned mine as the other affected communities, the residents of the region's most populous city, Jermuk, were alienated from the right to express their views on a project that would have a serious impact on the future of their hometown. Though in 2016 Jermuk was included as an affected community, nevertheless, statutory discussions haven't been held in the town. The impact on Jermuk resort and spa town, Gndevaz and Kechout residential areas haven't been properly assessed by Lydian and the EBRD.

In 2018, 3000 signatures were collected in Jermuk under a collective petition “On declaring Jermuk an ecological and economic area and banning metal mining in the community”. 3000 signatures were collected in only five days, which shows the wide support for a ban on mining and the wide opposition to the Amulsar project. Lydian has no social license to operate from Jermuk communities. The petition was endorsed by the Vayots Dzor Region Jermuk Community's Aldermen's Council (Municipal Council, Decision N 88-A dated, attached) on 18 December 2018.²⁶

Thus, our right to develop tourism as a development of the community and our welfare has been violated, as the project will be detrimental for historical and cultural tourism, as it will destroy the historical and cultural heritage (see the appendix on the destruction of monuments). Ecotourism will also suffer (see the appendix on the risks of extinction of red-listed species and species protected by the Berne Convention).

We, the residents of Jermuk, were going to announce these risks in Jermuk during a public hearing as envisaged by RA Law on Environmental Impact Assessment and Expertise, but it did not take place, although Jermuk was recognized as an affected community. The hearings were held in small villages in the enlarged Jermuk community, and Lydian announced that they had complied with the law and held public hearings when,

²⁶

<http://jermuk.am/Pages/DocFlow/default.aspx?a=v&g=cc4fe3b5-9c3e-4cb2-bbd5-918aa9bc45c2>

in fact, no hearings were held in Jermuk resort and spa town and our right to participate in the public hearings on Amulsar project has been neglected.

We want our environment and social situation to be improved, not to be affected for the worse. We want our livelihoods to be restored and tourism development based on our natural resources. We want a good quality of life in clean and healthy environment. We are fighting for the restoration of our right to have a say on the future of our communities.

We are calling on the IPAM to offer the EBRD to withdraw from the Amulsar project, which will be a responsible step in compliance with the requirements of the Bank's Social and Environmental Policy:

Performance Requirement 1: Environmental and social impact assessment and their management

Performance Requirement 3: Resource efficiency, environmental pollution prevention and control

Performance Requirement 4: Health and safety

Performance Requirement 6: Biodiversity conservation and sustainable management of natural resources

Performance Requirement 8: Cultural heritage

Performance Requirement 10: Publicity of information and cooperation with stakeholders in order to avoid further serious and irreversible damage and to restore justice to the people of Jermuk.

The world has new challenges, where human health and life in a healthy environment become fundamental, as evidenced by the positions stated by largest organizations. We are confident that the EBRD, as one of the largest financial institutions in development sector, will take into account our complaint, investigate the issues raised by us herein and make a decision in favor of Jermuk residents.

The List of project affected people and signatures has been redacted by PCM.

ANNEX NO. 2 MANAGEMENT RESPONSE**EBRD Management Response to IPAM Request:
Lydian (Amulsar Gold Mine) - Extension****REQUEST NUMBER: 2020/02****7 September 2020****INTRODUCTION TO EBRD'S MANAGEMENT RESPONSE****a. Introduction**

This Management Response has been prepared further to the issue of the IPAM Assessment Report dated August 2020 that concludes: *The Assessment Report findings recommend that the Request proceeds to the Compliance Function pursuant to para. 2.6. of the IPAM Policy for its Assessment as per the Compliance Eligibility Criteria defined.*

This Management Response provides an overview of the project; a summary of the request; a detailed chronology of EBRD's involvement with the project; the measures taken to structure the project to meet the EBRD's requirements; and, in conclusion, a response to each theme of the request. A comprehensive set of technical documents have been provided by EBRD Management to IPAM to support this Management Response. EBRD Management is committed to full cooperation with IPAM throughout this review.

b. The Project

In July 2016 EBRD approved an investment in the amount of CAD 11.4 million to sustain its minority shareholding in a public listed company, traded on the Toronto Stock Exchange, and operating in Armenia. The investment has been provided as an equity injection for the acquisition of additional shares from the capital of Lydian International Limited ("the Client" or "the Company"), allowing the Bank to protect its existing shares from dilution. The financing thus provided had been earmarked for financing of the Environmental and Social Mitigation Measures (ESMM) undertaken by the Company with respect to the Environmental and Social Action Plan (ESAP) on the mine development of its Amulsar Gold Mine. The equity investment supplements the Bank's earlier involvement in the Project during its exploration and development stage.

The Company had a forbearance agreement with its lenders, which was not extended in December 2019 as a result of which the Company applied for, and was granted a Protection order in Canada, allowing it to restructure its business and financial affairs. Based on the above, a corporate restructuring plan was adopted resulting in the Company's existing senior secured lenders in Lydian Canada, Lydian UK and Lydian Armenia CJSC owning and controlling the assets while Lydian International Limited being subjected to closure proceedings before the competent Jersey court.

Since 2009, equity funding was provided by EBRD solely for the purpose of exploration and project preparation activities and not for the project itself. From 2012 EBRD had retained a minority shareholding in the parent company, Lydian International with the proceeds of the EBRD's final equity injection in 2016 was explicitly earmarked for financing environmental and social mitigation measures identified in the Environmental and Social Action Plan, including a biodiversity offset programme and the construction of a water treatment facility. Since Lydian International became insolvent in 2019, EBRD no longer has a financial or legal interest in the Amulsar Gold Mine, as it is owned by Lydian Ventures of Canada in which EBRD is not a shareholder. .

c. The Complaint

On 19 May 2020, a Request was received related to the Lydian (Amulsar Gold Mine) – Extension Project. The Request was submitted jointly by twenty three local residents and co-signed by a regional CSO CEE Bankwatch Network and four local CSOs: (i) “EcoLur” Informational NGO; (ii) “Forests of Armenia” NGO; (iii) Green Armenia” NGO; and (iv) “Armenian Environmental Front” Civic Initiative.

The Requesters allege failures of the Bank to comply with its Environmental and Social Policy and public disclosure of information. In summary, the Requesters and CSOs have raised the following concerns:

- Performance Requirement (PR) 1: Assessment and Management of Environmental and Social Impacts and Issues - it is alleged that the Project has negatively affected the water, air, land, wildlife and community health and livelihoods of 5 residential settlements of Jermuk;
- PR 3: Resource Efficiency, Pollution Prevention and Control - it is alleged that the Project had caused dust pollution and had an impact on the water supply which has contributed to the pollution of drinking and irrigation water, along with fish farms in Gndevaz ;
- PR 4: Health and Safety - it is alleged that uranium pollution and dust emanating from the project site might impact the health of residents;

- PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources - it is alleged that IUCN red-list species and species protected by the Bern convention might have been impacted by the Project;
- PR 8: Cultural Heritage - it is alleged that the Project negatively impacted the cultural and historical heritage of the city of Jermuk and thereby damaging its reputation as a prestigious health spa centre; and finally
- PR 10: Information Disclosure and Stakeholder Engagement- it is alleged that the Jermuk Community was not consulted in public discussions conducted as part of the national led EIA process.

The Request asks for the Compliance review function of IPAM to be applied to the Case.

d. Management Response

This memo presents EBRD's Management Response to each item of the complaint, providing justification for decision-making and provision of supporting information for each element of the complaint.

The following sections of this Management Response detail the chronology of the project and the involvement of EBRD which provides important context of the ESIA development which subsequently informed EBRD's decision making. Following on from this chronology, each element of the Request is addressed in further detail.

Due to the long and complex process of the ESIA preparation, EBRD Management has provided a large number of supporting documentation which should be read in conjunction with this Management Response.

PROJECT BACKGROUND AND CHRONOLOGY

e. Background

Wardell Armstrong International (WAI) was commissioned as Lydian International's E&S Consultant (Owners E&S Consultant, OESC) with a mandate to prepare an Environmental and Social Impact Assessment (ESIA) for new gold deposit known as Amulsar Gold Mine. The instruction to OESC commenced following an initial investment by EBRD and IFC in 2007 to finance exploration and associated feasibility studies for Lydian's mineral resources in Armenian (and also Kosovo and Turkey). This was the first involvement of EBRD resulting in the appointment of a suitably qualified independent consultant to prepare the ESIA in accordance with EBRD's Performance Requirements. In addition, EBRD required that the client increase capacity and capability of the E&S function within the client organisation.

The OESC had continued involvement in the management and preparation of the ESIA up to and including disclosure in 2016. The below summarises the approach to the ESIA during the exploration, feasibility studies and preparation of the ESIA (disclosed as V₁₀ in July 2016). All supporting studies have been made available to the IPAM office which supplements the below detailed description of the ESIA process and key EBRD decision making.

EBRD has actively monitored early site activities; management of E&S risks and impacts during the exploration phase; the preparation of the ESIA from the period of 2007-2015; and project construction activities up to site blockade and closure in 2018. EBRD has therefore interacted with the company and the project for a considerable time, invested significant resources in project supervision, and EBRD's requirements have been a central theme in structuring the project to meet Good International Practice from the outset.

A lender's E&S consultant (LESC) was appointed to provide a detailed review of the the ESIA (v₁₀), generate an ESAP and monitor activities throughout the construction phase. A full set of LESC reports has been made available to the IPAM office which supplement this Management Response. In line with EBRD's Public Information Policy these documents are not disclosed publicly but they have been provided to IPAM to support the compliance review.

6.1 Timeline

The exploration licence to investigate the gold deposit at Amulsar was granted in 2006 and provided for necessary requirements for obtaining the finance required to undertake site investigations and initial mine pre-feasibility studies (see Table 1), all documents referenced below have been provided for review:

Table 1: Timeline from grant of licence for exploration to disclosure of ESIA		
Year	Month	Document
2006	Oct	Amulsar Exploration License granted
2007	May	IFC appraisal site visit for initial investment (Kosovo sites and Amulsar site) Public Disclosure (ESRS and SPI)
2008	Jan	Lydian listed on TSX Main Board (Toronto Stock Exchange)
2009	Jan	IFC / EBRD prepare an ESAP update
	Feb	Provisional reserves approved Agency of Mineral Reserves
	March	Public Disclosure (ESRS and SPI)
	May	First EBRD equity financing to support the exploration and development (drilling and feasibility studies)
	August	IFC / EBRD update ESAP
2010	May	ESIA Gap Analysis carried out by WAI
	June	Site visit and consultation led by Geoteam (Lydian International)
	November	IFC / EBRD prepare a further update ESAP
2011	February	Scoping report prepared by WAI disclosed, SEP developed which included the five residential communities of Jermuk

	May	Scoping consultation
	July	EBRD equity financing for continued support of exploration and development work
	August	Project Pre-Feasibility Study released
	November	Project update consultation (including face to face interviews) led by WAI
2012	Jan	Stakeholder concerns – summary report prepared by WAI
	Jan	Expert's report that considered specific concerns raised during Scoping consultation, prepared by WAI
	June	Local consultations and fact finding led by WAI
	June	ESIA and EIA Consultation organised by Lydian International with E&S information presented by WAI.
	August	Assessment of risk to water quality as a result of dust emissions and leaching prepared by Golder Associates (GA).
	August	Potential impacts from the Amulsar project on Lake Sevan report, prepared by GA.
	September	First Bank Feasibility Study released
	September	Lydian International discloses Amulsar ESIA (v7R), prepared by WAI
	September	Project design requires detailed review due to concerns regarding alignment with PR6 requirements, based on ongoing baseline studies. Situation discussed with lenders.
2013	July	Lenders letter to Lydian's management regarding E&S performance, impacts during exploration activities
	August	Lydian discloses Amulsar ESIA (v8)
	September	Project design requires detailed review due to Law protecting Lake Sevan and the location of mine processing (heap leach) located within the amended immediate impact zone defined for Lake Sevan.
2014	April	First complaint received by IFCs CAO from 2 residents of Gndevaz and Jermuk, with the support of 9 national NGOs
	April	EBRD equity financing to undertake pre-development and permitting work (including detailed engineering, drilling, and environmental studies)
	July	Second complaint received by CAO and first complaint from EBRD's PCM from 150 residents of Gndevaz
	October	Updated Bank Feasibility Study released
2015	November	Lydian finalizes value engineering process
	August	Public Disclosure Report for ESIA v9 which includes consultation activities in Jermuk
2016	May	Lydian discloses updated Amulsar ESIA (v10)
	June	Government of Armenia approves amendments to mining right
	July	EBRD disclosure of ESIA v10
	July	Final IESC review of the ESIA completed
	July	EBRD Board Approval of 3 rd participation in Lydian International
	August	EBRD equity financing earmarked for ESMM identified in the ESAP, including a biodiversity offset programme and the construction of a water treatment facility
	October	Lydian starts site earthworks at Amulsar

Throughout the above timeline EBRD undertook, as a minimum; annual site visits to monitor project progress as well completed detailed reviews of project documentation and outputs; convened workshops with project specialists; attended meetings within company management, advisors and external stakeholders; and engaged in stakeholder activities including with the Requestors

on numerous occasions. In addition, the Requestors raised the Amulsar project at EBRD's Annual Meeting each of the years from 2009 onwards.

Monitoring

From 2016 to 2019 post disclosure and project approval by EBRD, the EBRD team along with the LESC undertook monthly reviews of the company construction reporting, quarterly audits of the project and the contractors involved, half year site visits and detailed annual appraisals. Each of these monitoring events is documented and has been provided to the IPAM office.

EARLY STRUCTURING OF THE PROJECT TO MEET EBRD'S E&S REQUIREMENTS (2007 TO 2010)

f. Environmental and Social Review Summary (ESRS) – by IFC

The initial Environmental and Social pre-investment review of Lydian took place during 2007 and the summary (ESRS) was published by IFC in May 2007 and related to all of Lydian's mining interests. Based on the requirements for exploration, IFC identified that PS1 to 4 would apply, that in the future PS5 and PS8 would be relevant and that PS6 did not apply specifically to the exploration phase. The exploration phase works were categorised as B and predicted to have limited E&S risks that were either reversible in nature or amenable to mitigation. An ESAP was prepared by IFC with the following requirements:

International consultant to oversee E&S management and baseline work	WAI appointed as E&S consultant, Golder Associates (GA) appointed to assess alternatives for heap leach treatment and waste rock, termed as barren rock throughout the ESIA.
Corporate E&S Management System for exploration activities and allocate adequate E&S staff	Team lead appointed and first revision of ESMS prepared within 12 months
E&S baseline studies at Amulsar (compliance with Armenian laws and IFC requirements)	Local consultants appointed to undertake initial baseline surveys.
Independent Health, Safety, Environment, and Community (HSEC) audit of Lydian assets, including a review of EIA/SEA commitments, the ESMS implementation, and site rehabilitation plans, and check compliance with national laws and IFC requirements	Internal appointment to develop the HE&S team.
Annual progress report – consultation and community development	Community Information Centre established at Gorayk village and initial community consultation concentrated here.

g. EBRD participation

In May 2009 EBRD provided support for the exploration and development , specifically drilling and feasibility studies, via equity participation in the parent company Lydian International. At the time exploratory drilling had taken place to prove the ore bodies at Tigranes and Artavasdes and further and more extensive drilling programme was planned for 2010 / 2011, including adjacent peaks of Erato and Arshak. Requirements from IFC and EBRD to Lydian were communicated jointly. Specifically:

Initial biodiversity studies had identified plant species listed in Armenian Red Book, together with evidence of Brown Bear (Asian). It was advised that the scope of studies was extended to include all relevant international studies.

The Stakeholder Engagement Plan should be further developed along with the social baseline assessment to go beyond dialogue with existing engagement that was generally with local Mayors.

The requirement to include Jermuk together with all five districts within the project's area of influence was identified and specifically requested by EBRD.

Supervision reports subsequent to 2010 were coordinated with the development of EBRD's E&S requirements including the preparation of the ESIA for the Project and the internal ESMS requirements. The early phases of ESIA development then commenced as presented in the following sections of this memo.

SCOPING STUDY (2011)

h. Purpose

The EBRD ESAP required the disclosure of the Scoping Study for the ESIA together with a gap analysis to direct the future ESIA baseline studies. The scoping study was undertaken at the same time as exploration was taken place with the main known ore body of (Tigranes and Artavasdes). The scoping study was based on a mine layout shown in Figure 1.

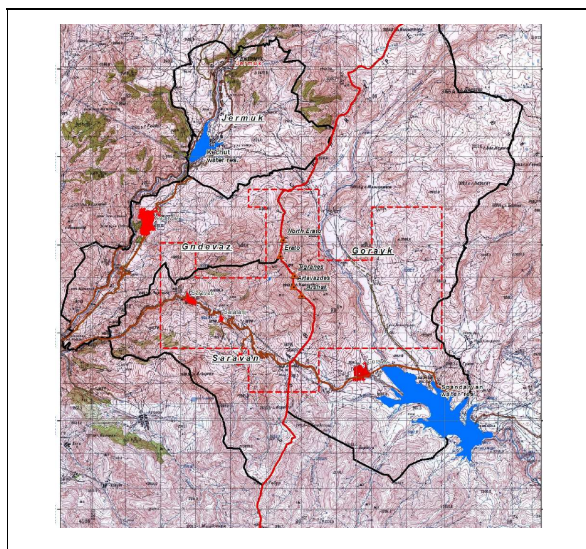


Figure 1 Mine licence area illustrated in Scoping Study

The mine licence area fell within the administrative boundaries of Gndevaz, Goryak and Saravan and it was these communities that were considered to be the sensitive communities with respect to potential environmental and social impacts. The exploration was identified in the scoping report as Erato peak north, Erato peak and surrounding area, Tigranes, Artavazdes and Arshak, with the summit of each peak shown within the mine licence area (see Figure 1).

High priority issues defined in the scoping report are set out in Table 2:

Table 2 High Priority issues identified in the Scoping Report (2011)		
Item	Environmental High Priority issues	Social High Priority issues
1	Groundwater hydrology and quality - absence of information relating to groundwater properties, composition and modelling clarifying effects of mining and post closure issues;	Local labour – high levels of local unemployment. Conduct skill audit to assess existing local skill base. Concern over potential “brain drain” of young farmers into mining industry;
2	Visual impact - on Jermuk and to a lesser extent Kechut, Gorayk, Saravan and roadside locations;	Population data - lack of complete population data for all local settlements;
3	Traffic – quantification of mining traffic, assessment of existing network and suitability for mining HGVs, consideration of alternative routes for exported ore and transport upgrades for imported goods;	Agriculture - further data required on local agricultural practices and methods, and their contribution to domestic income;
4	Land disturbance and take – Mining operations will involve land take and it is perceived that the HLP will be situated in an area of potential pastureland. The significance of this land should be attained via a land use assessment.	Manufacturing - current decline in agricultural processing industry (poultry and cheese). How does the project intend to feed its workers, i.e. will there be a demand for these services to return?
5	The impact of operations on existing infrastructure (water supply, gas pipeline, power lines and so on) and archaeology requires further investigation and the mine	Land use – compensation for both local (permanent) residents and seasonal / migrant workers for any land take required;

	design restriction implications of these features requires clarification;	
6	Biodiversity – Flora is diverse at the site. Red Book species are present. Direct impacts will result from land disturbance and take. Indirect impacts will arise from dust and ecosystem disturbance. Biodiversity field studies are required in all areas of potential disturbance to inform an impact assessment, mine design, mitigation and rehabilitation;	Biodiversity - plants used in local medicine – ensure these are considered in development proposals. Extent of local hunting grounds;
7	Surface water quality sustainability – Mining activity has the potential to affect three watersheds, most directly the Vorotan River and associated tributaries which feed the Spandaryan reservoir.	Visual impact - Jermuk and Gndevaz are popular tourist destinations;
8	Groundwater resources in the region are sensitive (Jermuk). Water resource monitoring and management will be of fundamental importance.	Health - baseline employee health assessments, particularly TB & HIV monitoring and awareness raising;
9	Cyanide management – Commitment to the provisions of the ICMC, requiring a TMS and appropriate management plan/s;	Local village plans – these run on a 3yr cycle. Ensure involvement/ consideration of these in project planning and community involvement – talk to Village Chief as coordinator for local projects;
10	Transboundary issues – Delicate nature of the status and proximity of NK may necessitate project disclosure and consultation under the provisions of the ESPOO Convention. Further clarification required from the IFC;	Expectations - Gorayk and Saravan have unrealistically high expectations of the benefits of the project – address these through public information/consultation;
11	Closure – conceptual closure plans are applicable to all stages of the project from exploration onwards, in the event of unplanned closure at any time.	NGOs – limited presence of NGOs in the area, but partnerships should be sought for community development work.

i. Defining the High Priority issues in the scoping process

A site inspection and study was completed by the OESC in June 2010, with the following focus, all studies mentioned below have been provided for review:

Heap leach – site selection:

- 10 sites were included in the site selection study, the majority to the south east of the Amulsar mountain ridge and contained in the Vorotan River valley.

Barren rock – site selection: Site selection was based primarily on desk based studies of topography, meteorology & hydrology, geology, geotechnics and hydrology, distance and infrastructure and social factors (including proximity to settlement, landuse, visual impact and cultural heritage).

- 6 sites were included in the site selection study, which were sub divided into the following drainage basis (4 in the Vorotan, 1 in the Arpa and 1 in the Darb).
- All sites were located on the Amulsar mountain, preferred location to the east of the ridge line, located in the Vorotan River valley.

Scoping study:

- Site review during 2010 / 11 the exploration was concentrated on the ore deposit within Tigranes and Artavazdes – this resource was identified as the mine area in the scoping report.
- Visual impact – based on a series of photographic viewpoints from the main settlements (including Jermuk), the primary zone of visual influence was identified to the south and west of the project affected area. The peak known as Erato screened mining operations and the waste rock from settlements to the north, Jermuk and Kechut. Gndevaz was also screened by the west facing slopes of the mountain. The tourism destination of Jermuk and Gndevaz recognised and potential for visual impact was acknowledged and impact considered to be minor.
- Discussion with community leaders – unrealistically high expectations of the benefits from the project recorded by community leaders in Gorayk and Saravan were noted.

Gap analysis

- Data review:

The gap analysis was completed to inform the baseline studies for the ESIA which was subsequently prepared over the next 12 months. By this stage the footprint of the open pit had been defined within the Tigranes and Artavasdes ore bodies. The remaining mine infrastructure had yet to be defined, partly dependent on the status of the baseline studies that were ongoing and site alternatives for barren rock store (BRS) and HLP studies that were being completed by WAI and Golder, with final reports in 2012 and 2009 respectively.

Consultation with local communities had been initiated by Lydian International in November 2009, with a presentation of the EIA report to stakeholders that related to extraction of ore from the Tirganes open pit. Further informal consultation was undertaken with community leaders in Gorayk, Saravan and Gndevaz to introduce the WAI team for international studies, during 2010. In summary, the representatives from Gorayk and Saravan had very high expectations of the development in terms of positive benefits, whereas the feedback from consultations also recognised that Gndevaz and Jermuk, both tourists destinations,

may potentially be impacted by development of the mine (visual impact in both Gndevaz and Jermuk) and land acquisition (Gndevaz).

The potential impacts associated with herders and use of the open mountainside for summer grazing was also identified. The feedback from these consultations was articulated in the scoping report. In December 2012 and April 2011, the permitting team (Lydian International) held consultation in Jermuk for NGOs to introduce the project (outline mine design) and discuss potential concerns associated with dust and the presence of Uranium deposits on Amulsar.

j. Scoping consultation

Community consultations were held in Jermuk, Saravan and Gorayk in May 2011, together with further meetings with civic leaders and NGOs (in Yerevan). The scoping process and findings to date were considered together with proposed scope of environmental and social studies. The specific issues that were raised during the scoping consultations were documented in two reports to the Major of Jermuk and to address stakeholder concerns informed by an expert report considering dust and presence of uranium. These issues that were discussed and communicated during consultations can be summarised in the following tables:

1 Issue	2 Comment
3 Economic contribution	4 Significant benefit to the region and the country
5 Noise	6 Confirmed would meet international standards
7 Dust	8 Information on wind direction, speeds and fall out of dust
9 Water	10 Mine and infrastructure manly in Vorotan water shed – baseline studies based on this footprint.
11 Radioactivity	12 From initial concerns – baseline data collected and assessed by UK based specialised consultant's that prepared a technical note concluding that the background levels obtained werebelow international environmental standards.
13 Use of cyanide	14 Confirmed the use of cyanide in heap leach. Confirmed that Lydian intends to comply with ICMC
15 Visual impacts	16 Strategic site assessment of alternatives for heap leach, barren rock store and other mine infrastructure has included a visual assessment from all communities (including Jermuk)

Schemes of work for baseline studies were ongoing, with main effort undertaken during 2011/12. The intended date for publication of the ESIA: Autumn 2012

k. Other studies

Other studies that were being considered but did not form a part of the Scoping study and subsequent feedback reports are as follows:

7.1 Tourism

The baseline for tourism was progressed, but the findings were not published until after the ESIA, released in 2012. The study provides evidence of consultations with the local community, primarily hoteliers within the main tourist district in Jermuk. The perception of harm was identified principally as environmental (water and air quality, visual effects and health impacts). Certain respondents identified commercial opportunities from influx of workers and from the investment that would be associated with the mine. The report was cited in subsequent versions of the ESIA, post 2013.

8.1 Community consultations (SEP)

Community consultations were expanded in response to stakeholder concerns identified through consultations, including the issue of a project newsletter in Q2 2012. Issues discussed included community programme centred on Gorayk through a series of environmental measures, including amenity woodland planting; project affected communities were identified as Gorayk, Gndevaz and Saravan (including Saralnj and Ughedzor); community issues identified were primarily visual impact, dust, vibration, noise and water quality.

Concurrently, a preliminary analysis of herder consultations was published for internal review and critical recommendations related to the appointment of a PR specialist and an increase resources for social engagement, with a team of up to 5 to include training of local staff. A community working group was set up in Jermuk and high level government liaison was required. The Livelihoods Restoration Plan was accelerated as a priority underpinned by a coordinated consultation process.

I. E&S Capacity of the Owners E&S Advisors

To complete the baseline studies required of the scoping report, the following consultants were appointed by the company to join to OESC team:

Consultant	Discipline	Comments
WAI	Air Quality	Monitoring gauges installed by Lydian – Gorayk and at several locations near the mine site.
	Noise	Few spot measurements taken – no specific details
	Soils	Local soils surveys combined with soil geochemical analysis concentrating on the area around the open pit and heap leach
	Climate Transport Visual impact	Meteorological station established at exploration camp Baseline surveys and transport routing options Likely zones of visual impact
GA	Surface water	Continuation of surface water sampling – based on location of WRD and HLF. ToR for spring water user survey
	Groundwater	Established alongside the ongoing exploration targeting pits, Waste Rock Dump and Heap Leach Facility
	Mine closure	Outline closure costings and input to closure and reclamation plan
	Alternatives / sensitivity analysis	Updating alternatives assessment for WRD and HLF – recommendations for GI and other analysis

ERM	Cultural Heritage	Desk study and commence programme of field evaluation – local specialists
Treweek Associates	Biodiversity & ecosystems services	<p>Programme of flora, fauna and avian surveys. Critical evidence obtained during spring and summer surveys (2010):</p> <ul style="list-style-type: none"> - Presence of locally endemic <i>Potentilla porphyrantha</i> specifically the knowledge that the species was present within the land within the exploration - The importance of the Vorotan valley for migratory and spring summer resident birds, its location with respect to Gorayk IBA - Confirmation that habitat within the mine exploration licence is suitable for Asian Brown Bear and occurrence of hibernation to the south of Arshak <p>Biodiversity baseline altered from one low to moderate value to critical habitat</p>
Liz Wall Associates & Wardell Armstrong	Socio-economic	Baseline desk study included the communities of Jermuk, Kechut, Gndevaz, Saravan and Gorayk. Further field evidence from consultation with herders that continued through to use of summer pastures on Amulsar and household surveys concentrated in Gorayk and Saravan. From this the communities and Saralanj and Ugedzor included into the baseline studies.
Shape	Community health & safety	Collecting country and regional data – no specific issues.
Radman Associates	Radiation	No further studies at this stage following the experts report prepared in 2011
Lydian	Lake Sevan	Lake Sevan is legally protected under Armenian law which extends to an immediate impact zone and non-immediate impact zone – Amulsar was located on the southern limit of the immediate impact zone

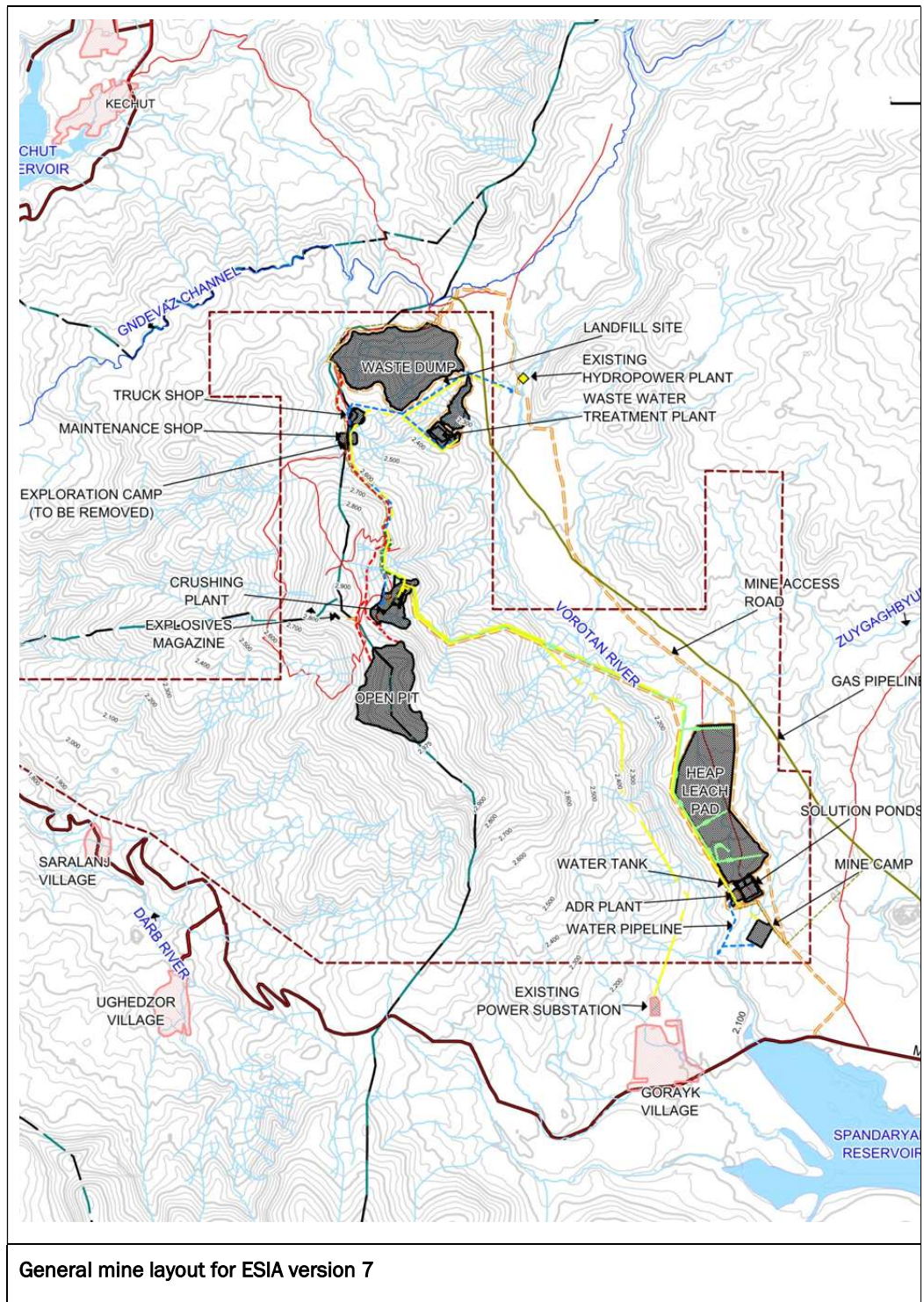
ESIA VERSION 7

m. Execution of baseline studies

Following consultations completed at the time of scoping (2011), the programme for completion of the draft ESIA was agreed for Q4 2012 and was submitted as v7 in October as a partially completed ESIA. At the same time several critical decisions were taken:

Action	Comment
Importance of the Vorotan for passage and summer breeding birds	<p>Location of HLF not suitable due to proximity of Gorayk IBA</p> <p>With the available baseline data, locating the HLF further into the valley (to the north) also had access, engineering and biodiversity issues, together with the proximity of an operational hydro station. Therefore, location of the HLF was determined as not sustainable and did not conform to PR6.</p>

Critical habitat	<p>The presence of <i>Potentilla porphyrantha</i> and Asian brown bear had considerable programme implications:</p> <ol style="list-style-type: none"> 1. The geographic spread was not determined – therefore a full season of further survey work was required 2. Survey area to be determined, due to the change in footprint of the mine
Geotechnical, hydrogeology & hydrology	<p>The location of the WRD was located in an area with geotechnical issues and groundwater seepage, plus the extended exploration identified the risks associated with an unlined WRD, using NAG to encapsulate PAG, as in the design submitted in ESIA v7.</p> <p>The WRD and associated infrastructure and the line of a water supply from the Vorotan River to Gndevaz (the Gndevaz channel), used for agriculture.</p>
Exploration	<p>Yield from the cores within the Erato deposit confirmed that this deposit was feasible and was therefore included in the mine design – now Trigranes and Artvavazdes (coalesce as one super pit) and Erato as a separate open pit to be worked as a separate later phase. This allowed for some barren rock to be backfill but overall increase the size of the BRS.</p>



n. Consultation

Consultation following the partial release of ESIA v7 were held in Jermuk, Gndevaz, Saravan, Gorayk and Yerevan. Critical issues that influenced the design and ESIA studies include:

Concern raised by the community of Jermuk that included several themes:

- Its importance for tourism, cultural and heritage assets.
- Thermal spa springs and importance to Jermuk as a cultural centre (questions on whether there could be interconnectivity with groundwater on Amulsar were raised).
- Worker accommodation (arisen due to discussions on whether there is a in a camp at the mine or elsewhere – this had not been determined in the ESIAv7)

Other community issues include security of water supply (Gndevaz), noise, dust and air quality general (all communities), the issue of vibration was raised in relation to property. Potential impact associated with traffic and transportation, principally related to Gorayk and the road into the Vorotan valley.

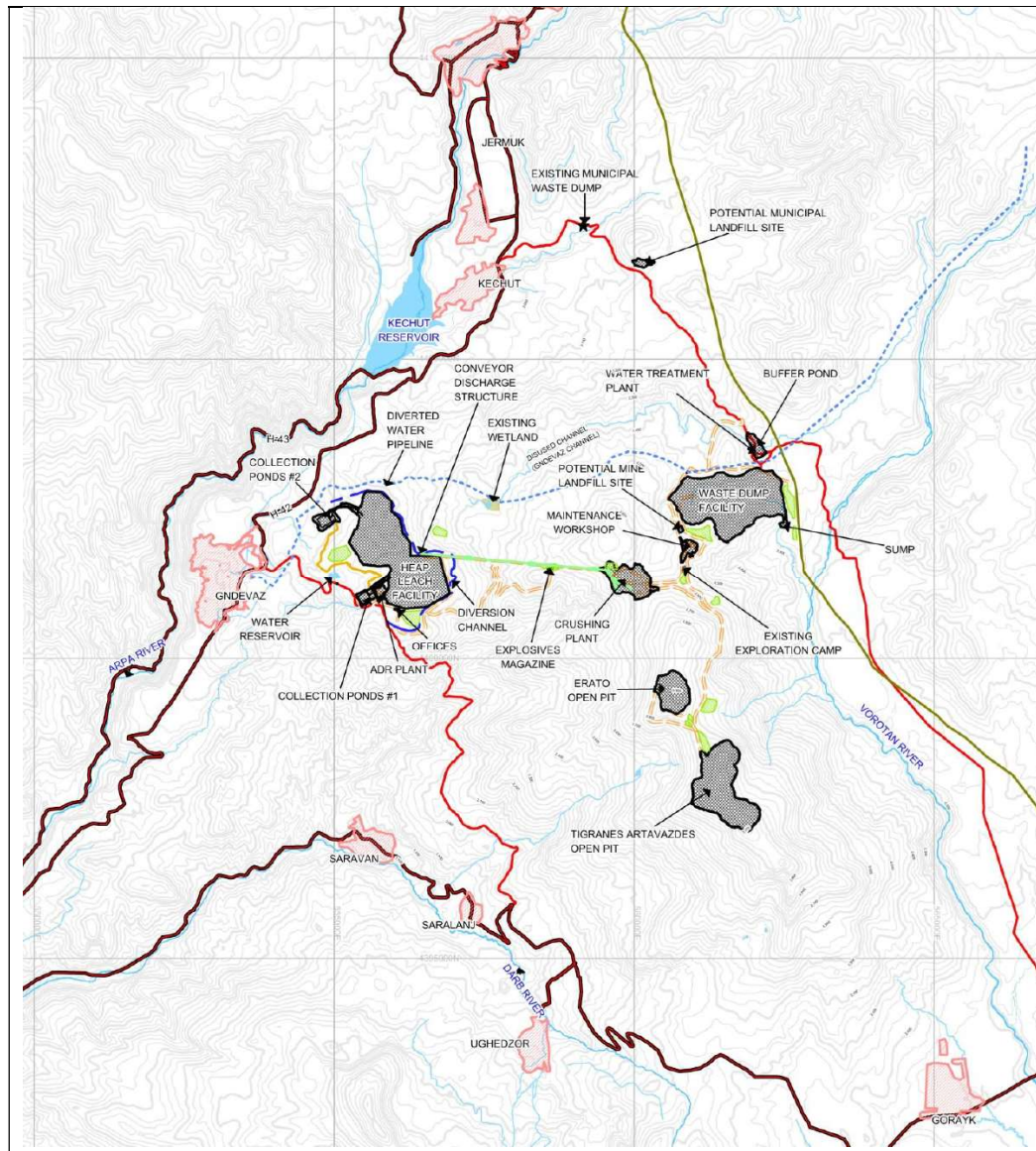
ESIA VERSION 8

o. The project

Due to some critical changes to the project configuration the ESIA was updated accordingly, the main changes are presented below:

Element changed	Reason	Comment
Erato pit included in mine design	High grade of ore – increasing potential reserves	Resulting from ongoing programme of site exploration. Inclusion of Erato results in increased visibility from Jermuk and Kechut, as Erato peak screened working in Trigranes and Artavasdes.
Trigranes and Artavasdes – super pit configuration	Deeper working method – increasing potential reserves	
Arshak – included in site exploration	Determine extent of gold reserves to the south	Additional mine footprint noted
Heap leach facility	Vorotan valley and ecological sensitivity	Review the HLF alternatives analysis – Site 14 selected
Barren Rock Store	Current location not feasible with increase in size, combined with	Review the BSR alternatives

	geotechnical and hydrology issues	
Increased clarity on location of mine infrastructure	General locations identified to date	The majority of the mine infrastructure moving from the eastern side of Amulsar to the west - closer proximity to Jermuk and Gndevaz and more distant from Gorayk.
Conveyors	Use of overland conveyor from crusher to HLF	Reduce haulage by trucks and more efficient given the topography
Rehabilitation planning	Identified during annual monitoring inspection 2012 that insufficient attention on impacts associated with exploration including use of tracks to traverse between camp and areas of exploration.	Restoration and rehabilitation plan implemented - for soil, vegetation and invasive species. ESMS policies and procedures to cover track design routing and chain of responsibility to be followed with respect to priority biodiversity features.



General mine layout for ESIA v8

Community consultation

Project community centre	Based at Gorayk now an urgent need to move towards those communities more affected by the project	Sensitivity around moving from Gorayk (loss of a facility) and finding a suitable location – Gndevaz chosen for Community Information Centre and local staff appointed.
Community development	Programme of project development activities to be identified and implemented	Agricultural activities potential affected by change to mine design.

Tourism	Potential to develop lower slopes of Amulsar for ski resort	Initiate a feasibility study
Waste management	Poor waste disposal facilities identified at Kechut landfill	Disposal by project to current landfill not compliant with Good International Practice combined with the potential for the project to deliver community benefit with a modern facility – EU Directive on landfill of waste compliant.
Lake Sevan	Consultation was taking place as to the protection of the Lake Sevan Catchment	Lake Spandaryan to Lake Sevan tunnel and also Kechut reservoir overflow, issues associated with groundwater and potential for impact on Lake Sevan

p. Baseline studies

During the preparation of v8 of the ESIA the following studies were progressed, each of which have been provided for review:

Biodiversity	<p>Further baseline studies through spring and summer 2013 – concentrated on presence of <i>P. porphyrantha</i> – specifically the presence frequency within Erato, and haul roads between pits and WRD. Expedition search to understand the local and regional distribution of the species.</p> <p>Breeding birds and raptors – to gain a better understanding of the use of the mountain range plus the valleys of the Vorotan, Arb and Darb.</p> <p>Genetic profiling of bear populations to characterise number of family groupings.</p> <p>Survey effort extended to amphibians, aquatic (to include the Arb & Darb rivers), invertebrates.</p> <p>In PS6/PR6 terms – natural and critical habitat triggered, with several priority biodiversity features identified.</p>
Water resources	<p>Rapidly expanding database of data from field monitoring – requirements to strengthen procedures for ESMS control of data and use for management planning.</p> <p>Ground water interactions – Jermuk spring water & tunnel connection to Lake Sevan – details of method and approach developed – isototope analysis of groundwater from samples abstracted from boreholes on Amulsar and those taken from spring water in Jermuk concluded that the two groundwaters were separate. Study prepared by GA released.</p>

	<p>Issues around pit water during operations and closure – backfilling pits to reduce size of WRD, implications on groundwater quality – agreeing a suitable model.</p> <p>Footprint of the mine now extends to three catchments – Vorotan (abstraction), Arp (potential discharge – downstream of Kechut upstream of fishi farm and agricultural interests) and Darb (fugitive).</p> <p>Water balance – based on Vorotan Met station – issue over the reliance of this information re site wide water balance not resolved.</p> <p>Role of snow melt in water management and achieving zero abstraction during operational phase.</p>
Noise dust and vibration	Agreed monitoring points within each community and longer term monitoring programme for noise and air quality. SoW for pre-inspection of structural condition of property likely to be affected by ground vibration.
Seismicity	Detailed study of risk of earthquake and input to the mine design and location of key infrastructure
Landuse	Location of HLF within an area of summer pastures also used for cereals and winter fodder (hay) – implications for the land acquisition, livelihoods and rehabilitation
Transport	Access to the mine now solely along the H42 – passed Gndevaz community, with access to all mining infrastructure from the west – first detailed traffic surveys and consideration of impacts on road uses – construction and operation.
Socio-economic	More detailed baseline information – now concentrated on communities of Gndevaz, Kechut and Jermuk (including the tourist and heritage aspects) and other industries – such as spring water bottling plant, hotel and leisure etc.
Labour and livelihoods	Better definition of baseline through skills survey to assess proportion of locally based employees, more extensive livelihood surveys including with seasonal herders on location of infrastructure
Health, safety and security	<p>Baseline extended to health care, vulnerable demographics and understanding of the risk pathways between mining operations and local communities</p> <p>Cyanide management – critical issue, proximity of HLF to Gndevaz.</p> <p>Influx of mine worker (construction and operation)</p>
Cultural heritage and Archaeology	Baseline extended to new infrastructure
Ecosystems	Importance of herbal and medicinal harvesting in lower to mid slopes of the alpine grassland.
SEP	Formalised disclosures undertaken to date:

	<p>Public Hearing on Amulsar EIA Report (Tigranes Open Pit), November 2009.</p> <p>Amulsar Open Pit Gold Project Scoping Report – Armenia, February 2011.</p> <p>Public Hearing of the EIA on the exploration license “Khachakar”, April 2011.</p> <p>Presentation of the Scoping Study results & the concept of the ESIA, baseline conditions and mine plan, May 2011.</p> <p>Presentation of the ESIA; Summary of the results of the baseline studies completed; information available from the feasibility study, such as mine design, operating specifics and timelines, November 2011.</p> <p>Public Hearing on the EIA of ore processing operations conceptual design (crushing, conveying, HL and ADR), November 2011.</p> <p>Two Public Hearings of the EIA on Artavazdes and Tigranes Open Pit and Waste rock Dump, March 2012.</p> <p>Public Hearing of the EIA on Artavazdes and Tigranes Open Pit and Waste rock Dump, April 2012.</p> <p>Public Hearing of the EIA on Artavazdes and Tigranes Open Pit and Waste rock Dump, July 2012.</p> <p>Public Hearing of EIA on Heap Leach Facility, July 2013.</p> <p>Presentation of the ESIA; summary of the results of the baseline studies completed; information available from the feasibility study, such as mine design, operating specifics and timelines, July 2013 in Jermuk.</p>
Commitments register	Commitments register was disclosed containing mitigation designs and management measures.

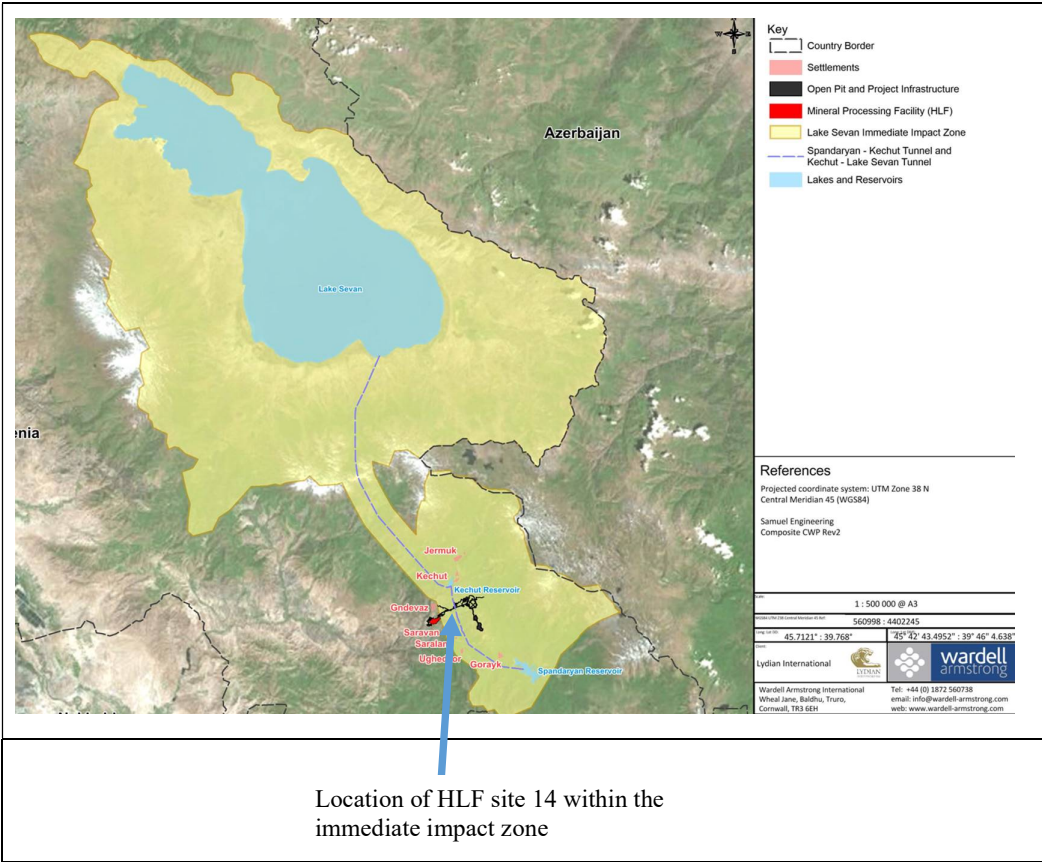
q. Version 8 of the impact assessment and disclosure (2013)

The overriding and critical issue was the location of the HLF in relation to the impact and non-immediate impact zone for Lake Sevan was considered extensively during v8 ESIA preparation. Lake Sevan is categorised as an ‘ecosystem of strategic importance’ and has specific regulations, including the Lake Sevan Law (LS Law), governing its protection.

A three kilometre buffer zone along the line of the Lake Spandaryan to Lake Sevan tunnel within which the processing of minerals is prohibited by law, effectively displaced site 14 as a viable option for the HLF (RA Government Resolution 143-N enacted in 2010 (changing RA Government Resolution No. 1787) re-stated in Section 13 the definition of the immediate impact zone as the area starting in the central zone and stretching up to the mountain range surrounding Lake Sevan

covering an area of 364,700 hectares. The LS Law prohibits the development of mineral processing facilities in the immediate impact zone).

ESIA v8 was disclosed at government level and aspects of the design were disclosed to local communities (July 2013) at the time of disclosure to government.



ESIA VERSION 9

r. Re-design criteria

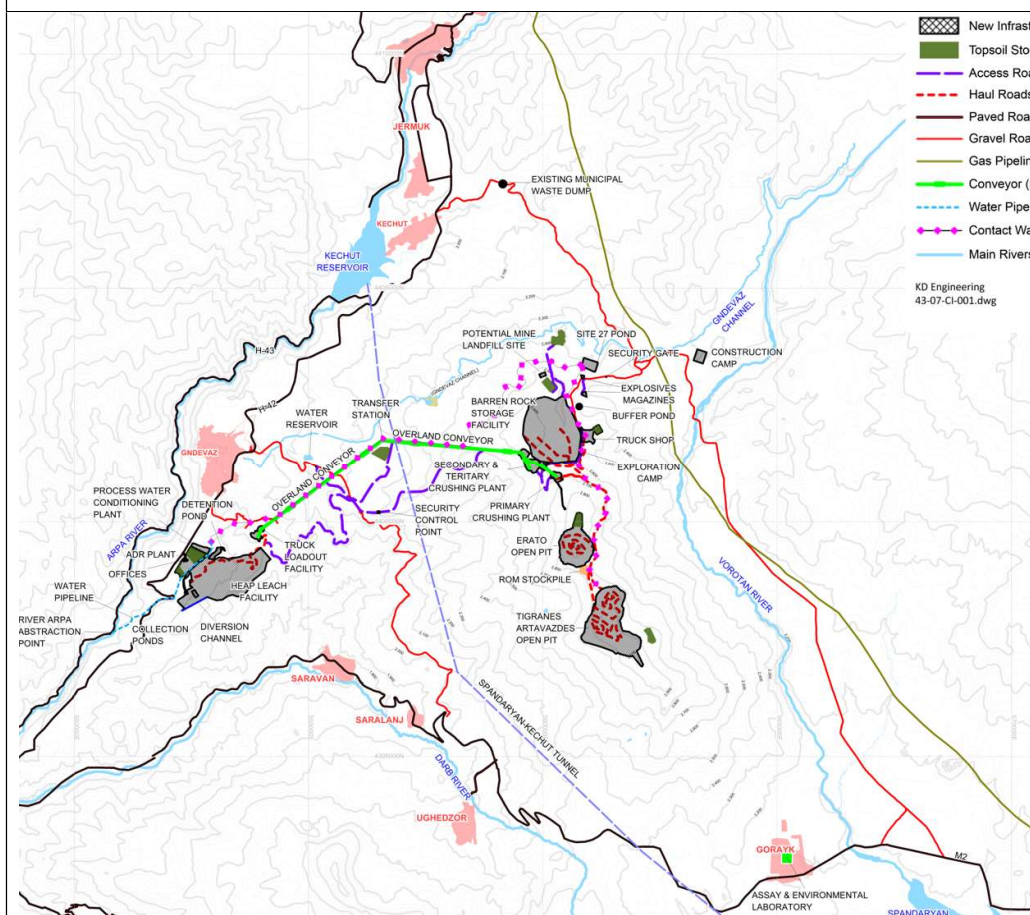
The site alternatives for a suitable location for the HLF was extended from the original search criteria of 5km from the crushing plant to 10km - decision based on consideration that extending the conveyor increased capital costs but had less effect on operational costs compared to haulage and that conveyor for first stage of transport from the crusher unit was required because of topography. Site 26 was selected in the analysis of alternatives for the HLF.

Other critical changes included:

Element changed	Reason	Comment
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Arshak –site exploration – initial confirmation of gold deposits extending to this area.	Determine extent of gold reserves to the south	Continued exploration – now included in baseline studies
Heap leach facility	Lake Sevan – immediate impact zone	Review the HLF alternatives analysis – Site 26 selected
Barren Rock Store	Refinements to design	Based on continuing studies for ARD potential – further studies commissioned through consultants GRA
Mine infrastructure	Refinement of locations – maintenance, security requirements haul road pits and WRD and crusher	Results from biodiversity surveys and impact on P. porphyrantha (haul roads) geotechnical considerations – crushing plant. ARD management – WRD design
Conveyors	Use of overland conveyor extended from crusher – conveyor on the eastern edge of the community settlement boundary of Gndevaz, with a transfer point to dump truck haulage for the last 2 to 3 km on to HLF.	Increased sensitivity with respect to the community of Gndevaz
HLF	Located in a lower lying area of ground to the East of the Arpa, but within the fertile agricultural land that characterised the valley.	Range of crops (wheat, maize, beans) together with extensive apricot orchards. Land acquisition and livelihoods a further critical issue
Rehabilitation planning	Ongoing	Generally good feedback from the annual monitoring inspection in 2013.

General mine layout for ESIA v9



Community consultation

Project community centre	Ongoing	
Community development	Programme of project development activities to be identified and implemented	Apricot drying facility, education and play area, landscaping and tree planting
Tourism	Potential to develop lower slopes of Amulsar for ski resort – rejected	Discontinued
Waste management	Poor waste disposal facilities identified at Kechut landfill, improvements to management of the landfill, combined with landscaping.	Ongoing consideration – based on whether there would be a camp based at the mine or the with hotel(s) in Jermuk – considerations ongoing
ESMS	Lydian Environmental and Social team now well developed with clear team structure. Together with a press team to address media outlets.	Team leader was subject to frequent change, with turnover of staff, but a clear direction and strategy had been developed.

Lake Sevan

Law on Lake Sevan	All elements of the mine and infrastructure now included in design	Lydian working with Government to ensure compliance with the requirements of the law.
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s. Approach to the update of the ESIA

The following studies were progressed and are relevant in the context of the IPAM review, each of the following have been made available in the project data room:

Biodiversity	<p>Further baseline studies through spring and summer 2014/5 – offsetting – Jermuk national park – concept now in more detailed discussion. Ashak identified as a potential set aside, to impact on critical habitat.</p> <p>P. porphyrantha – research now advanced in relation to conserving plant specimens that would otherwise be destroyed by mine development – translocation and propagation techniques developed in Armenia and UK</p> <p>Camera traps to improve understanding of critical habitat – specifically Asian bear populations and define requirements for set aside.</p> <p>Survey effort extended footprint of extended conveyor and HLF</p>
Water resources	<p>Site wide water balance – combined used of historic met data from Vorotan and Jermuk weather station – design for a closed loop except construction (for abstraction) and after year four of operations (discharge to Arpa).</p> <p>Further studies on ARD, including field based test on samples available from exploration programme.</p>
Seismicity	Study extended to HLF
Landuse	Location of HLF within an area of more intensive agricultural land – land acquisition now affected by land already under agreement but not part of the development (within site 14) and the users of site 26 plus conveyor route corridor. Arshak set aside and offset included with respect to livelihoods.
Transport	Access to the mine now solely along the H42 – passed Gndevaz community, with access to all mining infrastructure from the west – first detailed traffic surveys and consideration of impacts on road uses – construction and operation.
Health, safety and security	<p>Cyanide management – most critical issue, proximity of HLF to Gndevaz.</p> <p>Influx of mine worker (construction and operation) – not resolved</p>
Cultural heritage	Baseline extended to new infrastructure
LVIA	LUC appointed – influence on the design, height and phasing within the mine design.

Climate Change	ERM appointed – carbon balance calculated
SEP	<p>Formalised disclosures to date:</p> <p>Series of Working Group meetings held to discuss potential heap leach facility locations, July-September 2013 in Yerevan;</p> <p>Information meetings and focus groups with local residents in 2014 and 2015 to explain the land acquisition process in Gndevaz, the herders surveys and the biodiversity studies;</p> <p>For the EIA approval process as part of the Mining Permit application submitted to the Government in July 2014, two Public Hearings took place, the first in Gndevaz on August 25th and the second on September 27th in Gorayk. Geoteam received the final positive opinion from MNP on October 17, 2014;</p> <p>ESIA v9f pre-disclosure meeting in Yerevan on October 30th, 2014 with a good representation of civil society organizations (CSOs);</p> <p>ESIA v9f disclosure meetings in Jermuk, Gndevaz, Saravan, Goryak and Yerevan in June and July 2015.</p>
Commitments register	Commitments register was extended and has a public disclosure element – full and detailed CR, together with the design criteria – not disclosed.

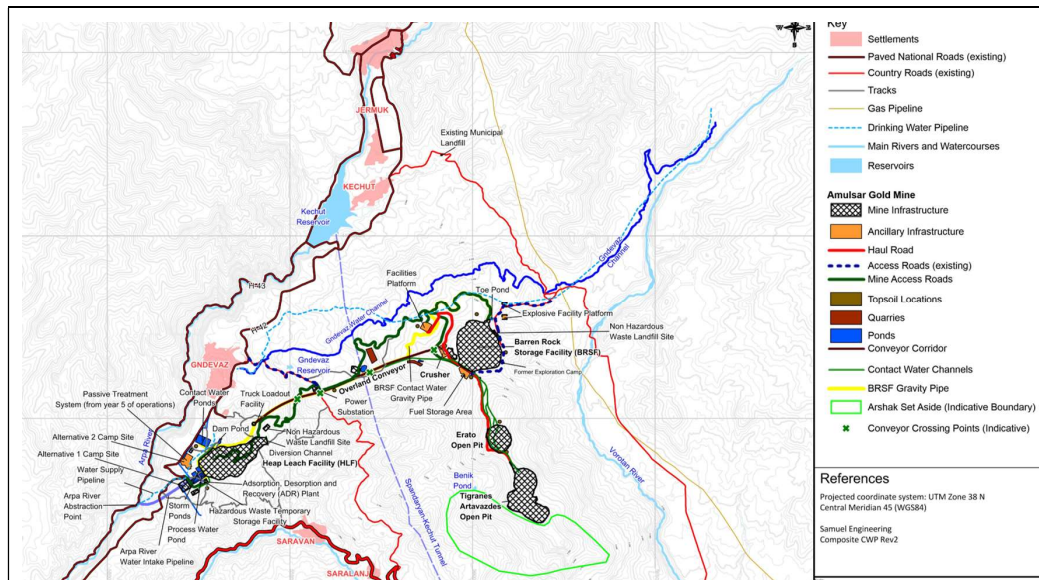
t. Approval and disclosure (2015)

In July 2014, the MNP approved the plans attached V9f and disclosure meetings were held the following year as documented in the August 2015 public disclosure report. However, several issues remained outstanding and these were highlighted through a value engineering and optimisation report together with external review of the ESIA by IFC, EBRD and IESC, following consultations in 2015.

ESIA VERSION 10

u. Re-design criteria

Project redesign was completed in 2015 and the critical changes were set out and appraised during Q3 2015 at the annual site inspection with IFC and EBRD. This redesign was the final configuration which informed v10 of the ESIA which was disclosed by EBRD.



v. Approach to the update of the ESIA

During the preparation of the final version of the ESIA, the following studies were further progressed and have been included in the dataroom:

Biodiversity	<p>No net loss – measures defined as:</p> <ol style="list-style-type: none"> 1. Offsetting – Jermuk national park – concept defined and agreed – financial requirements for management and development agreed with Government – EBRD involved in discussions 2. Ashak – set aside – area defined and agreed, delineated on the mine layout (to south of Tigranes, Artavasdes open pit. 3. P. porphyrantha – area to establish the mine and haul roads specimens collected and either removed to nursery at Lake Sevan, or translocated as a part of the rehabilitation programme <p>Additionally:</p> <p>Data from Camera traps available to inform requirements of PR6 & PS6</p> <p>Further survey effort to cover the areas of extended project footprint</p>
Water resources	<p>Site wide water balance – refined.</p> <p>Use of passive water treatment combined with a comprehensive water management system within the HLF to combine treatment of water from WRD, haul road surface drainage and discharge from HLF</p> <p>ARD to inform detailed design of water treatment - studies continue.</p>
Landuse	<p>LALRP published in final form and negotiations with landowner continue.</p>

Health, safety and security	Resolve issues raised during ESIA v9 consultation
Worker Accommodation study	InterSocial appointed to complete an independent study to assess conformance with IFC guidance on <i>Workers' Accommodation: Processes and Standards</i> . Hybrid solution adopted with use of selected hotels in Jermuk combined with the development of mine accommodation.
Cultural heritage	Baseline extended to new infrastructure
SEP	<p>Now formalised disclosures to date:</p> <p>A combined EIA Public Hearing and ESIA information meeting in Gndevaz on December 17th, 2015 to inform all local stakeholders about the restart of the EIA and ESIA preparation.</p> <p>EIA disclosure public meetings held in Gorayk on 1st February 2016, Gndevaz on 3rd March 2016 and Saravan on 21st April 2016.</p> <p>ESIA disclosure meetings held in Jermuk on 31st May 2016 and Yerevan on 1st and 2nd of June 2016.</p>
Commitments register	Commitments register was extended and has a public disclosure element – full and detailed CR, together with the design criteria – developed to include value engineering

DISCLOSURE

Version 10 of the ESIA was disclosed in July 2016 and EBRD concurrently disclosed this version in support of the Board consideration of the transaction. Consultation activities undertaken prior, during and post the EBRD disclosure period have been detailed within the Stakeholder Engagement Plan which confirms that each of the issues raised in the Request have been previously discussed with the Requestors and that relevant sections of the ESIA have included specific reference to stakeholder feedback.

As can be demonstrated from the above chronology each issue raised by Requestors has been extensively assessed, consulted and independently reviewed to ensure that the project could be structured to meet the PRs.

SPECIFIC RESPONSE TO THE CENTRAL THEMES OF THE COMPLAINT

w. Summary

As has been outlined in the preceding sections of this Management Response the Company and EBRD have both invested considerable resources over a 10+ year period into the structuring of the project to meet the PRs. Each of the issues raised by the Requestor have been assessed in detail and have previously been discussed with the Requestors as detailed below. Detailed analysis of each issue has been provided to the IPAM office for review. The following sections address each issue in turn.

x. Performance Requirement (PR) 1: Assessment and Management of Environmental and Social Impacts and Issues

Requestor Position: It is alleged that the Project has negatively affected the water, air, land, wildlife and community health and livelihoods of five residential settlements of Jermuk.

Management Response: As can be demonstrated from the above chronology and EBRD involvement each of these issues has been extensively assessed and reported in each version of the Amulsar ESIA. Supporting technical documentation has been disclosed or otherwise provided to project stakeholders confirming that each of these issues were assessed and, where necessary, mitigation measures designed to ensure that the requirements of PR1 were met. Furthermore, following disclosure of ESIA v10, an Independent Panel of Experts was assembled by the company to provide an impartial view of the project to the public, the report of which has also been provided. By the nature of a mining, project site impact is inevitable, however, the mitigation measures and, where necessary, offset plans were designed in accordance with the PRs.

y. PR 3: Resource Efficiency, Pollution Prevention and Control

Requestor Position: It is alleged that the Project had caused dust pollution and had an impact on the water supply which has contributed to the pollution of drinking and irrigation water, along with fish farms in Gndevaz.

Management Response: EBRD understands that this element of the complaint relates to construction activities and that several grievances were lodged with the company directly. EBRD closely monitored the construction phase of the project with the assistance of a suitably qualified and internationally recognised mining consultancy (the LESC). The LESC confirmed that mitigation measures were designed in accordance with Good International Practice. Equally, EBRD and the LESC reviewed the Grievance Mechanism to ensure that any complaints related to construction activities were adequately addressed in an effective and timely manner. However, EBRD is aware that claims of impacts from dust, to water and aquaculture occurred during construction and EBRD required that the client

address such issues in line with the management plans developed for the project and that each grievance was adequately resolved. The client reinstated a water supply known as the Gndevaz channel that provided supply of irrigation water from the Vorotan River to Gndevaz, this supplemented (and was identified as a mitigation measure) for the disruption to water supply for irrigation during construction of the HLF. It should be noted that there was no discharge from construction operations to the Vorotan, Darb, and Arb Rivers, or the tributaries, during the construction phase. Monitoring of ground and surface water was ongoing during construction and data was made available for review, including to the LESC.

z. PR 4: Health and Safety

Requestor Position: It is alleged that uranium pollution and dust emanating from the project site might impact the health of residents.

Management Response: It is correct that there was some exploration for uranium during the Soviet period at the Amulsar mountain but the presence of uranium deposits have been discounted at an early stage of the project design, prior to ESIA v7 and disclosed in the Expert's report (January 2012). This can be demonstrated by the cessation of uranium exploration at the time of the original investigations and later by the Lydian project engineers, advisors and competent authorities. Several reports on this issue have been completed and Management can confirm that the potential presence of uranium and the impact of local communities has been robustly discounted. Management invites any interested stakeholder to review the materials which have been prepared from 2012 onwards and have been consulted extensively.

PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Requestor Position: It is alleged that IUCN red-list species and species protected by the Bern convention might have been impacted by the Project.

Management Response: Priority Biodiversity Features and Critical Habitat as per PR6 were identified during the preparation of the ESIA. Extensive works have been completed in line with EBRD's PR6 mitigation hierarchy to ensure No Net Loss as highlighted in the preceding sections of this Management Response. Baseline studies and associated research that took place during the period 2012 to 2016, extending into full time supervision by appointed Ecological Clerk of Works, together with monitoring by consultants Treweek Associates and the OESC. The implementation of the Biodiversity Action Plan, Biodiversity Management Plans (which included the offset strategy) were in place to ensure that the requirements of PR6 were met and, until 2019, the offset strategy was proceeding successfully. As a consequence of the blockade of the site by protestors the implementation of

the offset measures has ceased which has compromised the ability of the project to implement the PR6 related commitments. EBRD Management understands that a parallel complaint has been issued to the Bern Convention by the Requestors. EBRD is confident that PR6 compliance can be demonstrated and that any Bern Convention issues will be addressed by the appropriate channels between the secretariat and the Government of Armenia on the specifics of the Bern Conventions.

aa. PR 8: Cultural Heritage

Requestor Position: It is alleged that the Project negatively impacted the cultural and historical heritage of the city of Jermuk and thereby damaging its reputation as a prestigious health spa centre.

Management Response: As indicated above the primary impact of the project during the construction phase on Jermuk was identified as worker influx and accommodation. This was extensively appraised and consulted both in Jermuk and in Yerevan and mitigation measures were established to meet the requirements of PR8. Unfortunately, the benefits of the project to Jermuk and surrounding communities, including employment, supply chain creation and community investment has ceased as a result of the blockade of the project. Potential impacts on the cultural and historical heritage of the city of Jermuk was considered in all relevant chapters of the ESIA v10. As a consequence, the project was structured to meet the requirements of PR8 as can be demonstrated by all the relevant studies and records of consultation.

bb. PR 10: Information Disclosure and Stakeholder Engagement

Requestor Position: It is alleged that the Jermuk Community was not consulted in public discussions conducted as part of the national led EIA process.

Management Response: Throughout the project design the E&S studies and findings for the ESIA and national led EIA process were combined during the consultation. This approach was agreed with the Competent Authorities and subsequently adopted to avoid complicating the consultation process. All consultations have been documented in the ESIA v10 (Chapter 4.20) and the specific questions and concerns have been documented in the SEP (Appendix 8.6, within ESIA v10, which has been updated during the construction phase of the project). EBRD's ESP is designed to complement and supplement national EIA requirements and the details of the extensive consultations undertaken in and around the project area with project affected people and communities have been provided. This includes multiple stakeholder meetings in Jermuk, initially at the request of the EBRD. The National EIA process is managed by the Government of

Armenia and the relevant department would be the appropriate recipient of any grievances related to the national EIA process. However, as has been demonstrated, a decade of consultations has been undertaken by the project company, including in Jermuk's five communities, in line with the requirements of PR10.