



DISPUTE RESOLUTION CONCLUSION REPORT – LYDIAN INTL3-02/GNDEVAZ, ARMENIA

This report summarizes the CAO Dispute Resolution process in relation to the IFC-supported Lydian Intl 3 Project (#27657) in Armenia.

OVERVIEW

IFC's Project

According to IFC, Lydian International Ltd (“Lydian”) is a junior mining company focused on exploration projects in Eastern Europe and Central Asia. Lydian, through its wholly-owned indirect subsidiary Geoteam CJSC, holds licenses for the Amulsar exploration property in Armenia. Amulsar is located in central Armenia, approximately 120 kilometers south of Yerevan. The project is at an advanced feasibility stage. The company completed a bankable Feasibility Study (FS)¹ in October 2014, and an Environmental and Social Impact Assessment (ESIA) in May 2015. In parallel an Environmental Impact Assessment (EIA), per national Armenian legal requirements, was approved by the Ministry of Nature Protection in October 2014 with a subsequent Mining Right granted by the Ministry of Energy and Natural Resources of Armenia the following month. The project is expected to move into the construction stage in early 2016, targeting first gold production in early 2017.

The Complaint

In July 2014, 148 local residents of Gndevaz, in Vayots Dzor province, lodged a complaint with CAO raising concerns about the impacts of the project on livelihoods, the environment and on community health. Specifically, the complaint alleges lack of adequate project information, including information about land acquisition and resettlement plans; potential environmental contamination from the

project's cyanide leaching system; dust pollution affecting fields, livestock and farmland; employee and community health issues; and insufficient community engagement. In October 2014 the complainants provided CAO with a list of 62 additional complaint signatories, bringing the total number of complainants to 210. The full complaint is available on CAO's website at www.cao-ombudsman.org.



CAO team meets with a complainant near the Amulsar Information Center in Gndevaz

CAO's Assessment

CAO determined that the complaint met its eligibility criteria in August 2014, and undertook an assessment of the complaint. The purpose of CAO's assessment is to clarify the issues and concerns raised by the complainants, to gather information on how other stakeholders see the situation, and to determine whether the parties prefer to initiate CAO's Dispute Resolution or Compliance role. CAO's assessment does not entail any judgment on the merits of the complaint.

¹ A “bankable feasibility study” is typically an evaluation of a proposed mining project to

determine whether the mineral resource can be mined economically

In October 2014 and January 2015, CAO conducted two trips to Armenia, travelling to Gndevaz to meet with various stakeholders. After a thorough discussion of the CAO mandate, functions, and services, the complainants and Lydian requested a CAO-facilitated dispute resolution process to try to resolve the issues raised in the complaint using a collaborative approach.



CAO mediator meets with Gndevaz community members

OUTCOMES OF THE DISPUTE RESOLUTION PROCESS

CAO held separate meetings with complainants and Lydian in February and March 2015, and developed a draft “Agreement to Mediate” together with the parties. The agreement outlined the mediation process, including but not limited to its purpose, the roles and responsibilities of the parties and the mediator, and confidentiality provisions.

Ultimately the Agreement to Mediate was never finalized and signed as shortly after the dispute resolution process began, the complainants’ representatives decided that they did not want to participate any further. The most active and vocal complainants were largely opposed to the mine and felt that participating in mediation, dialogue or negotiations with Lydian would compromise their principles. After several community and individual meetings, CAO was unable to continue with the dispute resolution process as complainants were no longer willing to participate. This decision was confirmed by

CAO at a community meeting of complainants on May 23, 2015. Lydian management remains open and willing to dialogue with the complainants, directly or with the assistance of an acceptable third-party neutral.



CAO team meets with Lydian and Geoteam staff at the project site

CHALLENGES AND LESSONS LEARNED

Stakeholder Priorities and Representation are Often Dynamic and Fluid

In order for a collaborative dispute resolution process to move forward, both the company and the complainants need not only to agree to participate, but also to determine and select their respective representatives for the process. It is not unusual, however, for stakeholders in CAO cases – companies, complainants, NGOs, government representatives, or others. – to change their views once a dispute resolution process has started. Many factors may contribute to this including new information or changed understanding of each other and the issues; improved (or worsening) trust and relationships between parties; turnover in stakeholder representatives; external events; and so forth.

In this case, after initially choosing to participate in dispute resolution, complainants decided it was no longer in their interest to engage in the process. Ensuring that this change reflected the opinion of the larger complainant group was a challenge for CAO, as a clear

representative structure for the 210 complainants was not yet established. The complainants with whom CAO was able to meet decided their needs were more likely to be met through CAO's Compliance function, and/or other fora and means locally in Armenia. As a result, complainants believed and there was simply nothing about which to negotiate or dialogue.

When stakeholders' views or priorities change and evolve, CAO strives to do at least two things: (1) to understand the changes, with the goal of helping the parties better understand one another and, (2) to help parties make informed decisions about their engagement with CAO and each other. In this case, CAO met with as many complainants as possible and invited all to meet with CAO in large community meetings. In the end, after the complainants discussed various alternatives and exchanged views, the decision of the complainants' representatives to withdraw from the dispute resolution process was confirmed during the final community meeting convened by CAO. Individual reasons for this decision varied - some complainants felt there was not sufficient trust to enter into good-faith negotiations, others changed their mind about dispute resolution because their

concerns about land acquisition had been addressed, some were simply against the mine under any circumstances, some were apathetic, and many were unable or unwilling to meet with CAO. Despite the challenges regarding representation structure, CAO was able to satisfy itself that the decision by the representatives not to participate broadly reflected the decision of the complainant group at large.



CAO team meets with Gndevaz villagers

All documentation relevant to this case is available on the CAO website at www.cao-ombudsman.org