

Republic of Bulgaria

Министерство на околната среда и водите

Изх. № 0300 - 1402

София 10.08. 2010 г.

Ministry of Environment and Water

Minister

August 2010, Sofia

Ref.: Investment proposal for mining and processing of auriferous ores from the Krumovgrad License, Krumovgrad Municipality, by Balkan Mineral and Mining (BMM) EAD

Dear Sirs,

Pursuant to art. 6, par. 2 of the Convention on Environmental Impact Assessment (EIA) in a Transboundary Context please find attached Decision No. 9 – II/2010 of the Minister of Environment and Water to terminate the procedure on EIA assessment of the Krumovgrad Gold Project for mining and processing of auriferous ores from the Krumovgrad License by BMM EAD.

According to art. 3, par. 1 of the Convention on EIA in a Transboundary Context, please find enclosed the notification form and draft ToR for the scope of EIA (in English) for a new investment proposal from the same contractor, referring to the same deposit. Pursuant to art. 3, par. 3 of the Convention we expect your response on your willingness to participate in the EIA procedure for the new proposal. Please note that the deadline for response is two weeks from the date of the receipt of this letter.

In this regard, we would appreciate receiving your response about the intention to participate in the EIA procedure within two weeks from the receipt of this letter.

Enclosure: - copy of Decision No. 9 – II/2010
- notification form to the affected party
- draft ToR for the scope of EIA

Yours sincerely,

Nona Karadjova

Ministry of Foreign Affairs
D5 Directorate for the Protection of the
Environment
Zalokosta 1 str.
106 71 Athens

"За министър.
Заместник-министър: Ив. Василева
Заповед за заместване: РД - 729/05.08.10г.

NOTIFICATION TO AN AFFECTED PARTY OF A PROPOSED ACTIVITY UNDER ARTICLE 3 OF THE CONVENTION

1. INFORMATION ON THE PROPOSED ACTIVITY	
(i) Information on the nature of the proposed activity	
Type of activity proposed	
Is the proposed activity listed in Appendix I to the Convention?	Yes
Scope of proposed activity (e.g. main activity and any/all peripheral activities requiring assessment)	<ul style="list-style-type: none"> • Open pit mining of auriferous ores; • Construction of production facilities for processing the ore (a process plant) to produce flotation concentrate containing precious metals (gold and silver) for shipping and sale, • Construction of an Integrated Mine Waste Management Facility (IMWMF); • Construction of project infrastructure - roads, water and power supply services, materials storage facilities, etc.
Scale of proposed activity (e.g. size, production capacity, etc.)	<p>The proposed production capacity is 0.85– 1.1Mtpa ore treated over 8 years. The total area required is approximately 98ha including:</p> <ul style="list-style-type: none"> • An open pit mine (Ada Tepe) – 17 ha; • A ROM ore pad – 3 ha; • A low grade ore stockpile - 10 ha; • A facility for the production of gold-silver concentrate (Process Plant) – 6 ha; • An Integrated Mine Waste Facility – 41 ha; • A soil and sub-soil material stockpile – 5 ha; • A retention pond (close to the open pit) and two collecting sumps (at the toe of the Integrated Mine Waste Facility) – 4 ha; • Roads – 12 ha; • An abstraction well (borehole).
Description of proposed activity (e.g. technology used)	The mining method will be a conventional open cut drill, blast, load and haul operation; ore will be crushed in a jaw crusher and subject to grinding in a three stage - SAG mill, ball mill and vertical mill

	(wet process). Flotation will be the main process for recovery of the gold and silver values from the ore, performed in flotation banks, where the recovery of the payable components from the waste rock is achieved by conditioning the surfaces of mineral grains based on the different surface chemistry of the gold and rock particles. The final concentrate will be dewatered and packaged for shipment to a custom smelter.
Description of purpose of proposed activity	Produce a gold-silver concentrate for sale
Rationale for proposed activity (e.g. socio-economic, physical geographic basis)	Development of Bulgaria's mineral deposits for the good of its people, as set down under the Underground Resources Act, SG23/1999; provision of inward investment and employment opportunity
Additional information/comments	The company has registered Commercial Discovery for the deposit "Khan Krum", Krumovgrad Municipality, Kardgaly District, Republic of Bulgaria
(ii) Information on the spatial and temporal boundaries of the proposed activity	
Location	The main site required for the implementation of the Project is located some 3 km south of the town of Krumovgrad in the Municipality of Krumovgrad, which is part of the District of Kardzhali. The straight line distance from Krumovgrad, likewise from the project site, to Greece is approximately 30 km.
Description of the location (e.g. physical-geographic, socio-economic characteristics)	The entire municipality lies within the Eastern Rhodope Mountains. The topography is classified as hilly or low-mountainous. The project area is located in the west watershed of the mid-stream portion of Krumovitsa River, a right-hand tributary of Arda River between the Studen Kladenets and Ivailovgrad water reservoirs. According to Annex VII to the Water Framework Directive, the entire East-Aegean Region lies within Ecoregion 7 - Eastern Balkans. Arda River is a transboundary watershed system flowing into Greece and is part of the international watershed system of the Maritsa River.
Rationale for location of proposed activity (e.g. socio-economic,	

physical-geographic basis)	
Time-frame for proposed activity (e.g. start and duration of construction and operation)	Construction and engineering works - the beginning of 2012 and be completed within 18 months, i.e. in the summer of 2013; Operation - over a 8 - 9 year period (excluding the overburden removal); Closure and Rehabilitation – app.3 years.
Maps and other pictorial documents connected with the information on the proposed activity	Maps are attached
Additional information/comments	none
(iii) Information on expected environmental impacts and proposed mitigation measures	
Scope of assessment (e.g. consideration of: cumulative impacts, evaluation of alternatives, sustainable development issues, impact of peripheral activities, etc.)	The EIA has been undertaken in line with the Bulgarian Environment Protection Act (SG,issue 91/2002), Regulation on the Terms and Procedures for Conducting EIAs (SG issue 25/2003),as well as guidance issued in Bulgaria and the European Union. The latter includes reference to a EU Directive 21/2006 implemented in Bulgarian Subsurface Resources Act. The proposal for mining and processing is subject to an assessment of compatibility according the Regulation on the procedures for assessment of the compatibility of plans, programs, projects, and investment projects, with the subject and purpose of the conservation of protected areas. {CA Regulations,SG, issue.73/2007). The assessment therefore addresses baseline conditions, potential impacts, proposed impact, mitigation and forecast impacts.
Expected environmental impacts of proposed activity (e.g. types, locations, magnitudes)	Impact on water: App.3l/s waste water and app. 1l/s domestic waste water will be discharged to the environment. The project has a comprehensive water management scheme to avoid contamination through spills and seepage, manage surface run-off and contain process wastes, treatment of waste water. The project considers that more than 98% of the total water demand will be met from recycling of process water. In addition, the deposit contains very small amounts of sulphide minerals so that acid rock drainage will not be a problem. The possible risk of major accident with TMF dos not exist because

of absence of tailings dam.

No significant impact is therefore forecast on surface and groundwater resources and quality.

Impacts on air: Mining and waste management will give rise to generation of dust and a local, minor impact is forecast, mitigated by the proposed measures like watering of roads, progressive rehabilitation of the slopes of integrated management facility.

The investment proposal will not give rise to any significant impact that would affect community health.

Impacts on soil and land use: the main impact on land use is land take for construction and operation of the Project. The site area extends to about 98 ha, but the Project design includes closure planning to provide for rehabilitation of operational areas and a return to a productive end use. Environmental management of the Project is designed to minimise potential for emissions to air and water and thus minimise potential for soil contamination. The project includes integrated mine waste management facility where both – thickened tailings and waste rock will be disposed which minimise impact on land use significantly.

Impacts on protected zones: The Investment Proposal is compatible with conservation objectives of the protected zone East Rodophi. For habitats 5210, 6220, and 6510 there will be an insignificant negative impact at the regional level.

The implementation of the project involves partial or complete transformation of a number of ecosystems, which will cause

	<p>reduction of the ecosystem diversity on the territory of the project.</p> <p>Impacts on communities: There will be no significant impact with regard to community health. Land take will displace a small hamlet and forestry land. The major impact on the community is forecast to be positive with inward investment and greatly enhanced employment opportunity. Impact mitigation includes measures to minimise nuisance impacts such as noise, dust and site traffic.</p>
<p>Inputs (e.g. raw material, power sources, etc.)</p>	<ul style="list-style-type: none"> • Gold/silver ore • Plant machinery and storage vessels, pipework, tanks, etc; Construction materials (brick, concrete, steel, etc); • Process reagents - potassium amyl xanthate, copper sulphate, sodium silicate, dithiophosphate, frother, flocculant, grinding balls, explosives and blasting consumables • Fresh water supply - groundwater; • The energy carriers will be diesel fuel (vehicles) and electricity (all other energy needs (plant electric motors, heating, lighting, etc)
<p>Outputs (e.g. amounts and types of: emissions into the atmosphere, discharges into the water system, solid waste)</p>	<p>Gases:</p> <ul style="list-style-type: none"> • Particulate matter (dust); • Blast gases (CO, NO_x, SO₂, etc); <p>Liquids:</p> <ul style="list-style-type: none"> • Domestic wastewater; • Open-pit drainage; • Drainage water from integrated mine waste management facility <p>Solids:</p> <ul style="list-style-type: none"> • Construction solid waste; • Solid domestic waste; • Scrap, used containers, etc;

	<ul style="list-style-type: none"> • Waste rock from mining process (stored on site); • Tailings from ore processing (stored on site)
Transboundary impacts (e.g. types, locations, magnitudes)	No transboundary impact is forecast.
Proposed mitigation measures (e.g. if known, mitigation measures to prevent, eliminate, minimize, compensate for environmental effects)	<p>Mitigation against dust emissions and harmful gases;</p> <p>Design of a comprehensive water management scheme to minimise impact on water quality and resources;</p> <p>Provision for safe and stable storage of process tailings and waste rock – integrated mine waste management facility;</p> <p>Definition of a closure strategy to form the basis for a detailed closure plan aimed to allow establishment of a productive end-use of the site following project closure</p>
Additional information/comments	None
(iv) Proponent/developer	
Name, address, telephone and fax numbers	<p>BALKAN MINERAL AND MINING EAD Registered office: Bulgaria, District of Sofia, Chelopech Municipality, village of Chelopech 2087 Central office: Bulgaria, Sofia, 26 Bacho Kiro St. Local Office: Bulgaria, District of Kurdjali, Krumovgrad, 24 Saedinenie St.</p> <p>Executive Director: Adrian Goldstone Phone: +359 (0)2 930-15-00 Fax: +359 (0)2 930-15-95 Email: office_sofia@dundeprecious.com</p>
(v) EIA documentation	
Is the EIA documentation (e.g. EIA report or EIS) included in the notification?	Yes, Partial – Terms of reference for the scope of the EIA report are attached to the notification.
If no/partial, description of additional documentation to be forwarded and (approximate) date(s) when documentation will be available	In addition of this form Mine Waste Management Plan is attached.
Additional information/comments	The EIA report will be provide in case that the notified party considers as an effected party and express opinion for participating in the EIA procedure.

2. POINTS OF CONTACT	
(i) Points of contact for the possible affected Party or Parties	
Authority responsible for coordinating activities relating to the EIA (refer to decision I/3, appendix) - Name, address, telephone and fax numbers	Ministry of Foreign Affairs D5 Directorate for the Protection of the Environment Zalokosta 1 str. 106 71 Athens Telephone: + 30 210 368.32.30 Fax : +30 210 368.32.34 E-mail : d05 @mfa.gr website: www.mfa.gr
List of affected Parties to which notification is being sent	no
(ii) Points of contact for the Party of origin	
Authority responsible for coordinating activities relating to the EIA (refer to decision I/3, appendix) - Name, address, telephone and fax numbers	Ms. Jacqueline METODIEVA Head of EIA/EAD Department Telephone: +359 2 940 60 32 fax +359 2 988 53 16 E-mail: metodieva@moew.government.bg Ministry of Environment and Water 67 William Gladstone St. 1000 Sofia
Decision-making authority if different than authority responsible for coordinating activities relating to the EIA - Name, address, telephone and fax numbers	Ministry of Environment and Water 22 Maria Louisa Blvd. 1000 Sofia Telephone: +359 2 988 25 77 Fax: +359 2 986 25 33
3. INFORMATION ON THE EIA PROCESS IN THE COUNTRY WHERE THE PROPOSED ACTIVITY IS LOCATED	
(i) Information on the EIA process that will be applied to the proposed activity	
Time schedule	8 months
Opportunities for the affected Party or Parties to be involved in the EIA process	Yes
Opportunities for the affected Party or Parties to review and comment on the notification and the EIA documentation	Yes
Nature and timing of the possible decision	EIA decision taken by the minister of environment and water for approval or disapproval of the investment proposal, December 2010

Process for approval of the proposed activity	In compliance with Bulgarian legislation: Environmental Protection Act, SG 91/2002; Regulation on the Terms and Procedures for Conducting EIAs (SG issue 25/2003)- available on Internet page www.moew.government.bg - key topics Preventative Activities
Additional information/comments	No
4. INFORMATION ON THE PUBLIC PARTICIPATION PROCESS IN THE COUNTRY OF ORIGIN	
Public participation procedures	In accordance with Bulgarian legislation public is involved in all steps of the EIA process: <ul style="list-style-type: none"> • Notification for the new investment proposal; • Determination of the scope and content (Terms of Reference) of the EIA and Compatibility Assessment Report (CA); • Consultation on Terms of Reference and Mine Waste Management Plan; • Access to the EIA Report and the CA Report for a period of 30 days; • Public hearing(s) • Access to answers on written comments and statements and those from discussion during the public hearing;
Expected start and duration of public consultation	The start of public consultation started with Notification sent in June, 2010 and will continue till November, 2010. Expected data for public hearing is end of October or beginning of November, 2010.
Additional information/comments	
5. DEADLINE FOR RESPONSE	
Date	2 weeks from the receiving of the notification form