

RMG - Company profile

From 2015, Green Alternative issues periodic reports on availability of information on the state of environment in Georgia. During the analysis of availability of information of the state of environment, we study accessibility of information on so-called “large-scale pollutants” and prepare company profiles of four enterprises that are singled out for their scope of activities and impacts on the environment and human health. These companies are: (1) RMG, (2) Georgian Manganese, (3) Saknakhshiri; and (4) HeidelbergCement. This document reflects the availability of information on RMG - Rich Metal Group.

RMG Gold and RMG Copper

Exploration of gold-copper-barite polymetallic ore deposits in the Bolnisi region started in the 40s of the last century. The construction of one of the largest non-ferrous metals plant - Madneuli complex began in 1959. In 1975, Madneuli complex was put into operation. It was used for extracting copper, barite, gold- and silver-containing quartz and polymetal ores, initial processing of extracted copper and barite ores, enriching and selling products. The extraction of barite was stopped in 1990. In 1994, Kvartziti was created which started gold and silver recovery from stockpiled gold-containing quartzite ore, using heap leaching method. As a result of privatization of Madneuli and Kvartziti in 2005, the owner of the enterprise became the Stanton Equities Corporation, registered in the British Virgin Islands (offshore zone), a subsidiary of the Russian company “Promishlenniye Investori”. In December 2007, “Promishlenniye Investori” sold its shares in Madneuli and Kvartziti to GeoProMining, owned by Siman Povarenkin, a chairman of the board of directors and co-owner of “Promishlenniye Investori”. Since 2012, the owner of the enterprises has become a Russian company “Capital Group”. In 2012, JSC Madneuli changed its name to RMG Copper and Ltd Kvartziti - to RMG Gold.

According to the Public Registry of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Entities of Georgia, Ltd RMG Gold is owned by private Rich Metals Group B.V., registered in the Netherlands (96.21% of shares) and JSC RMG Copper (3.79% of shares); while the information about owners of JSC RMG Copper is not recorded in the Registry of Entrepreneurial and Non-Entrepreneurial (Non-Commercial) Legal Entities as the Georgian legislation does not require publicity of information about the shareholders. An Executive Director of both companies - RMG Gold Ltd and JSC RMG Copper is Jondo Shubitidze.

Over time, different companies have been merged with RMG Gold and RMG Copper.

History of reorganization of JSC RMG Copper

Subject before reorganization	Operation	Subject registered after reorganization	Date
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Georgian Mining Company Ltd (225385525)	Merging	JSC RMG Copper	27/06/2007
Ecogrami Ltd (205262543)	Merging	JSC RMG Copper	03/10/2014
Geoconsulting Group Ltd (205282950)	Merging	JSC RMG Copper	06/11/2014
Premier Motors Ltd (404981668)	Merging	JSC RMG Copper	07/11/2014
Mining Investments Copper Ltd (404977753)	Merging	JSC RMG Copper	17/11/2014
Ekologi Ltd (225359607)	Merging	JSC RMG Copper	06/09/2016

History of reorganization of Ltd RMG Gold

Subject before reorganization	Operation	Subject registered after reorganization	Date
Georgian Mining Company JSC (204458960)	Merging	Ltd RMG Gold	14/07/2008
Trans Georgian Resource Ltd (204864272)	Merging	Ltd RMG Gold	20/01/2009
Mining Investments Gold Ltd (404977682)	Merging	Ltd RMG Gold	17/11/2014

It should be noted that the company LLC Caucasian Mining Group (I/C 404908775), which since 2011 (in fact, from the moment of its registration) owns the exploration and extraction license¹ seized from JSC Madneuli, is closely linked with the companies. Though the Caucasian Mining Group, registered in Georgia, is owned by the Pamtilon Holdings Limited, registered in Cyprus, and RMG Gold and RMG Copper is owned by Rich Metals Group B.V., registered in the Netherlands, the same people are mentioned in the registration documents (Russian billionaires [Dmitry Troitsky](#) and [Dmitry Korzhev](#) and a Lithuanian citizen Alvidas Brusokas); any changes within companies (as well as other enterprises owned by these companies) are synchronously carried out by the same people. The Director General of the Caucasian Mining Group is also Jondo Shubitidze.

LLC Caucasian Mining Group owns 100% shares of LLC RMG Auramain (404908775) and 100% shares of Georgian Gold Company (405205987) whose Director General is Jondo Shubitidze as well. Besides, Caucasian Mining Group, together with [GMC Investment limited](#), registered in the British Virgin Islands, owns (50% of shares) JSC Georgian Copper and Gold (405117494), registered in Georgia.

Until November 18, 2016, Kakhaber Kuchava, the current chairman of the Committee on Environmental Protection and Natural Resources of the Parliament of Georgia, served as the General Director of JSC Georgian Copper and Gold. Before November 15, 2016, Kakhaber Kuchava owned 33% shares of Umbrella Enterprises LLC (shares were bought by Irakli Kuchava for 100 GEL); from 2011 to October 11, 2016, the director of JSC Carlton GEORGIA (then JSC ZOPKHITO GOLD, now JSC Caucasian Minerals) founded by the Umbrella Enterprises LLC, which in 2011 obtained

¹ The license is issued for the study and extraction of nonferrous, noble, rare metals and barite in Bolnisi, Marneuli, Dmanisi, Tsalka and Tetrtskaro municipalities. The license is issued on 187 823, 59 ha area, which is 2.7% of the total area of the country.

a 30-year license for exploring and extracting non-ferrous, noble, rare metals and barite in Oni region for 990 000 GEL.

Pamtilon Holdings Limited, owner of the Caucasian Mining Group, also owns LLC Mining Investment² (I/C 404415824), which in 2015 was merged with the LLC Minings Developments Georgia³ (I/C 404944414), owned by the same company.

Madneuli and Kvartziti were among the first enterprises where the government started implementing measures for prevention of corruption and improvement of management since the 2003 Rose Revolution. Today, no one talks about the corruption in these enterprises, however, the exclusive “benevolence” and loyal attitude of state authorities to these companies raises a suspicion of elite corruption. For instance, it is enough to mention the fact of removing the status of a monument of national importance for Sakdrisi-Kachagiani ancient gold mine in the world and giving the company a permit to explode the monument⁴.

About us

RMG Gold and RMG Copper have a common website - www.richmetalsgroup.com

The website makes publicly available only information about the company as given below:

“We are one of the largest enterprises in Georgia and Caucasus region, engaged in mining activities in Bolnisi region, Georgia. JSC RMG Copper and LTD RMG Gold produce the copper concentrate and gold dore alloys (half-fabricates) by mining and processing copper and gold containing ores. Big international trading companies buy the RMG products. The traders conduct the affintage (purification) of the purchased products and melt the pure metals (gold, copper, silver) in the metallurgical plants. Later on the pure metal is sold on London Stock Exchange. RMG is an important employer in Georgia and in Bolnisi Region. Currently, approximately 3000 employees work at the company, 90% of whom are local residents. In 2011-2014 RMG invested about \$ 300 million in Georgia.”

Information about the structure of the company, its related companies, owners, management team or even identity of the general director (nothing to say about his experience or competence) is not presented.

Nor information on the license to use minerals owned by the company is available, not to mention the mineral reserves. Also, there is no information about the enrichment plant.

² It is registered on 13/02/2012. Supervisory board: Dmitry Troitsky, Russian Federation, Kakhaber Mchedlishvili, Alexander Chernecki, Russian Federation. Director General - Yury Pilipenko, Russian Federation.

³ Upon its registration in 2012, the owner of the company was SPECIMAX Co, registered in Cyprus. Its director was Solomon Tsabadze. The company itself owned LLC Mineral Resources Management (I/C 404944600), registered on 15/05/2012, Director: Zurab Kutelia. In 2013, the company merged with the owner.

⁴ For detailed information, please, see the report of Green Alternative “Madneuli above the Law” (2013) and survey “Natural resources management and factors contributing to elite corruption” (2013) at www.greenalt.org and survey of Georgian Young Lawyers’ Association “Sakdrisi-Kachagiani – Destruction of behalf of Law” (2015), www.gyla.ge

Impact of companies on the environment

Madneuli and Kvartziti started functioning much earlier than the Parliament of Georgia had adopted a law on Environmental Permits. Thus, the owner of the enterprises obtained a permit only in 2008. In the process of obtaining environmental impact permits, environmental and social impacts of enterprises should have been a subject of detailed study, however, the process was extremely formal and painless for the companies; to obtain a permit, instead of an Environmental Impact Assessment Report, a ten-year old document was submitted (only the dates were changed). Unfortunately, Goga Khachidze, the then-Minister of Environment and Natural Resources Protection, did not consider this fact as a significant violation of law and signed a decree on issuing a permit. Thus, there is no comprehensive study of the environmental and social impacts of enterprises' activities. But there are fragmented data and studies on the environmental damage caused by the companies at different times.

Among the existing studies, the work of Georgian and German researchers is worthwhile to mention (a joint project of Giessen University and Tbilisi State University). The aim of the study was to assess the influence of Madneuli mining-enrichment complex on the ecosystem and the health of population in Bolnisi District. The findings of the scientists were alarming: the research, which covered a period from 2001 to 2011, showed that more than half of the area is seriously contaminated with heavy metals, namely copper, cadmium and zinc. In some of the sites, the situation was truly catastrophic.⁵ As reported in the study, “most of the irrigated soils under different land use display a strong enrichment with heavy metals; there is a problem of pollution, but there appears to be no way out – neither political nor economic; the indicators are much higher than the norm of the European Soil Charter; copper and cadmium are easily absorbed from the food plants. This results in direct contamination. Soil supplements can fix heavy metals and reduce their absorption by plants; soils in the Mashavera river valley contaminated by heavy metals is still a long-term problem for humans, animals and food; it is necessary to carry out measures for protection of the population, which will be directed against the increasing loads.” The working group has shot a film⁶, where the results of the survey and the fact of submitting the report document to the decision makers are presented⁷.

As mentioned in the Report of the Environmental Supervision Department of the Ministry of Environment and Natural Resources Protection for 2013-2014, the environmental damage resulted from soil contamination and degradation during the construction of ore leaching plant production area undertaken by Ltd RMG Gold without the ecological report amounted to 29 153 880 GEL; the environmental damage as a result of release of 500 m³ acid quarry waters in the Kazretula river from the so-called “thickening” reservoir located in the territory of the JSC RMG Copper enrichment plant, amounted to 1 078 188 GEL⁸. The 2013-2014 Report of Environmental Supervision Department is the most recent publicly available document that reflects the environmental impact of these companies.

⁵ [Heavy metal pollution of soils and capacities for their restoration – on the example of Mashavera river valley in Georgia](#); by Peter Felix-Henningsen, Thomas Hanauer, Besik Kalandadze, Tengiz Urushadze, Levan Navrozashvili

⁶ [Dig for Gold, reap Poison?](#) January 2012

⁷ The document was submitted to the Ministry of Environment Protection and Natural Resources and the Committee of Parliament on Environmental Protection. It should be noted that the staff participated in the meeting are still working in these agencies.

⁸ [Report of the Environmental Supervision Department](#), 2013-2014

Report of the scheduled inspection (15 December 2015 - 15 March 2016) of the Environmental Supervision Department on the fulfilment of terms and conditions of environmental impact permit №000056, issued to the RMG Gold (I/C 225359947) and environmental law regulations is also available for public on request.

The Report refers to significant violations of requirements of permit conditions and environmental law regulations. For example: as it turned out, the company neither had a monitoring (self-monitoring) plan nor it fulfilled monitoring commitments in accordance with the environmental action plan; The company did not have a waste management plan as well as properly designed and approved emergency response plan; The company did not follow instructions for storage of chemicals; no recultivation of heap leach storage area took place. According to the report, “the RMG Gold leadership is responsible for conducting self-monitoring of the cyan-ions concentration in the enterprise area to ensure a safe environment. Its monitoring is necessary in terms of labor safety. Cyanions can lead to chronic poisoning of the human organism. Although it is rapidly discharged, the evaporation surface (irrigation, pooling) is so large that it could be smelled on the whole area. Inspection revealed that the smell is spread in the production area, and the cellular processing of materials established that the self-monitoring of the cyan-ions concentration does not take place in the production area. Furthermore, within the inspection period, during discharge of the solution on the heap leach platforms cells in the unfavourable meteorological conditions (strong wind) it was spread to the wind direction”; The inspection revealed the fact of using minerals by the RMG Gold without having proper license, as well as many other violations.

Report of the scheduled inspection (15 December 2015 - 15 March 2016) of the Environmental Supervision Department on the fulfilment of terms and conditions of environmental impact permit №000056, issued to the RMG Cooper (I/C 225358341), and environmental law regulations was also very critical. According to the permit conditions, the management of the enterprise, in order to prevent pollution of rivers, is required to arrange the waste water drainage, channels and purification facilities to collect run-off waters from waste rock sites and depositories. “The inspection revealed that the company has no purification facility at all and has partially fulfilled the rest of commitments. In particular:

- To collect run-off waters from #1 and #2 waste-rock sites, near the river Kazretula, and namely, #2 waste rock site, the catchment area is arranged where the left-over acid waters are collected, however, the laboratory surveys have demonstrated that this dam cannot provide a full collection of acid quarry waters, **waters are discharged into Kazretula** that adversely affects on Kazretula river water quality;
- A drainage channel is arranged on the way to the quarry route, namely, along #1 and #2 waste-rock sites. At the end of the channel, on the left side of the road, a rainwater collector is also arranged, out of there **polluted waters after heavy rain downpours are shifted through the metal tube to the slope on the right side of the road and are discharged into the river Kazretula.**
- There is no drainage system and water catching tanks to collect rain water runoff near the waste-rock sites #3 and #4. Consequently, **these acid waters, without purification, flow into lower ravines in the waste-rock sites that connects river Poladauri.**
- The drainage water collector dam is arranged on the depository, which is equipped with an emergency tube. **In case of overflow water of this dam, it is expected to release excess water in the nearby valley, which connects river Kazretula together with water pumped from the collector.**
- Laboratory studies have shown that **magnesium, calcium, sulphates, also bromine and ammonium are significantly higher** compared to the maximum permissible concentrations in the water released from the tube arranged on the bottom of the depository.”

On April 2, 2018, Levan Davitashvili, the Minister of Environment Protection and Agriculture, visited Kazreti to get familiar with the RMG Copper and RMG Gold production process⁹. As it was reported on the Ministry website on this visit: “Employees of the different agencies of the Ministry of Environmental Protection and Agriculture expressed their interest in RMG’s activities. In 2015-2016 a number of violations were identified in several directions. We have discussed these violations and the ways to make them correct. We wished to see critical points, problems and repair mechanisms developed by the company, also a solution made within a reasonable time frame, that we will further discuss with experts” - Levan Davitashvili said. According to Joni Shubitidze, the executive director of the company, RMG has developed an environmental action plan together with an international company [Golder Associates](#).”

Green Alternative requested from the Ministry the above mentioned plan. As it turned out, RMG Copper has elaborated a document “Short and long-term action plan for 2018” which reflected measures to address violations revealed in the process of the company’s scheduled inspection in 2016. Neither the quality of the document nor the content showed involvement of Golder Associates in the drafting process.

Working Group under the Committee on Environmental Protection and Natural Resources

On June 13, 2018, based on the [Decree](#) of Kakhaber Kuchava, the current chairman of the Committee on Environmental Protection and Natural Resources, a working group was established to study the damage inflicted to the environment by RMG Gold and RMG Copper in the process of mining activities. On June 15, 2018, the chairperson of the Committee, based on the [report](#) of the working group, addressed the Minister of Environment Protection and Agriculture and the Minister of Economy and Sustainable Development of Georgia. According to the [address](#), “the Committee on Environmental Protection and Natural Resources considers it appropriate that:

1. Further processing of deposits using the existing methodology and practice and starting new works on other deposits will increase the level and scope of pollution in Kvemo Kartli region. Accordingly, LEPL National Agency of Mines of the Ministry of Economy should not grant a right to the company to open Bneli Khevi deposits area, unless we see the company’s willingness and real actions to improve existing situation. RMG Gold and RMG Copper are required to fulfil the action plan defined by the Ministry of Environment Protection and Agriculture.
2. The Ministry of Environment Protection and Agriculture should coordinate with the National Center for Disease Control and Public Health to carry out epidemiological studies of the population in Bolnisi region.
3. LEPL National Environmental Agency should conduct seismic studies on the sustainability of old (historic) depositories located in the RMG Gold and RMG Copper area.”

In response to the address, the Ministry of Environmental Protection and Agriculture of Georgia [informed](#) the Committee that: a) the Ministry of Environment Protection and Agriculture, within its competence, could not discuss the issue on termination of the license”; 2) the National Environmental Agency **has expressed its readiness** to monitor the environmental pollution together with the National Center for Disease Control and Public Health (NSDC); and 3) as for seismological studies, according to the Minister, this is “beyond the competence of LEPL National Environment Agency”.

⁹ [02 April 2018 | Levan Davitashvili got acquainted with the RMG production](#)

The Ministry of Economy and Sustainable Development did not respond to the address of the Chairman of the Committee.

With the [letter](#) of 2 August 2018, the NSDC **has also expressed its readiness** to “be involved, within its competence, together with the LEPL NEA in conducting epidemiological surveys to assess the impact of the environment on the human health in Bolnisi region”. According to the information posted on the [website](#) of the Parliamentary Committee, the last communication/meeting on this issue last [took place](#) on August 23, 2018. “It was decided at the meeting that:

1. Dialogue between the parties will continue;
2. In the beginning of October 2018, the working group, representative of the legislative and executive authorities will once again visit Kvemo Kartli and get acquainted with the results of the works defined by the plan;
3. The working group will submit to the RMG all those technical questions in written form that were not discussed at the meeting. The company will give its answers in written form.
4. The company RMG will submit the working group full information on the measures related to the Kviratskhoveli river;
5. As regards to recultivation, the company RMG will provide the working group with information on plans of cooperation with the Institute of Physics;
6. The working group will inform the company about the ways of prevention of dust emission in the air, while the company will examine the best experience in other countries and discussions will be held on the ways of prevention;
7. A project developed by the company regarding the waters pumped out in the quarry will be submitted to the working group;
8. The working group shall provide the RMG Company with information on kinetic explosions;
9. During a visit scheduled for October 2018, the working group will visit a barite depository;
10. The RMG Company will seek for a leading laboratory and cooperate with the GAMA company and other alternative laboratories;
11. The working group will hold consultations with the NSDC to ensure epidemiological research;
12. The RMG Company will provide the full information to the working group;
13. The working group once again holds its position that was submitted to the Ministry of Environment Protection and Agriculture as well as to the Ministry of Economy and Sustainable Development, that the RMG should not be allowed to carry out its works only on new deposits while the works on existing deposits should not be stopped, the company is to given an opportunity to carry out activities for the purposes of implementing environmental measures. A meeting will be held on this issue in the framework of the working group.”

Environment

“We accept environmental responsibility and will do our best to minimize the environmental impact of our operations” - this slogan is presented on the cover page of www.richmetalsgroup.com

The company website contains quite extensive material in the section Environment. As reported by the company, since the RMG Group has become an owner of the enterprises, *“a new structure of health, safety and environment service has been established. Company has developed a new environmental policy. Chemical laboratory of the company has been equipped with modern express analyzers for determining heavy metals, cyanides and sulphate-ions composition in water and air. Daily monitoring has been carried out regarding the following:*

- Water disposal;
- Emission into the atmosphere;
- HCN gas volume;
- Waste rock sites;
- Pipelines' integrity;
- Tailings;
- Description of Acid Mine Drainage Water.”

The website, using less comprehensible and a lot of technical terminology (e.g. *Acid mine drainage waters represent sulphate hydrous solutions of heavy metals that are stipulated by hydro geological specifications of the deposit and exogenetical and microbiological factors developed over the deposit*) describes how the acid waters are pumped out from the quarry bottom and purified.

As the website says, *“Environmental division of the Company is carrying out daily monitoring of water quality, to demonstrate that water is free from cyanide or various metalocomplexes of cyanide or heavy metals.”* The location of the sampling points is indicated on the website, but nothing is said about daily inspection, even generalized results.

The website also gives a description of water circulation scheme of RMG Gold and RMG Copper and prevention of dust production.

The website does not provide information of the environmental condition, on the damage caused to the environment resulted from its activities and implemented and/or ongoing measures for environmental impact reduction, threats to local natural and social environment due to the company activities and/or planned and implemented measures to prevent these threats. The available information is so technically written that it is doubtful whether it is designed to meet the interests of citizens.

Social projects

According to the company website, *“RMG acknowledges its social responsibility towards Kazreti settlement, Bolnisi Region and the entire country. That’s why we permanently organize, support and finance different social, educational, sports and cultural events. Support of Georgian Rugby Union and the national team has been one of the main priorities of RMG for years. The company spent more than GEL 3 million for development of Georgian rugby during the last 7 years. Implementation of different social, cultural-educational projects in Bolnisi region has a significant role in our company activities. RMG renders systematic financial support to Bolnisi Eparchy. Maintaining and restoration of ancient Georgian churches is one of the most important subject of care for the company. RMG actively promotes sports, healthy lifestyle and culture at Kazreti settlement. Every month, freestyle wrestling, junior football and choreography sections are sponsored by the company. RMG supports development of educational*

projects at Kazreti settlement and Bolnisi Region. The company actively cooperates with public schools and a nursery school of Kazreti settlement. According to their requirements, RMG periodically purchases and renews necessary equipment for schools and the nursery school. RMG takes care of elderly people residing at Bolnisi Municipality, trying to make well-deserved living conditions for them by means of organizing different social events. The company cooperates with Georgia Red Cross Society, under aegis of which a day center for elderly people operates in Bolnisi. RMG supports the day center and its beneficiaries. During the years, the company has been funding and will further support different charity organizations: Autism Association, “Momavlis Gza”, Movement for Available Environment, “Momavlis Sakhli”, Bolnisi Region Rehabilitation and Development Support Center, Iavnana Charity Foundation, etc.

The absolute majority of “news” on the company website and in social networks refers to such events. Efforts to help local people in education and sports, or support people with disabilities may be considered as an expression of social responsibility; however, the engagement of the company¹⁰ in the development of Bolnuri vineyard and winery in an environment which is polluted at the alarming level because of its activities - is rather discrediting the idea of social responsibility.

¹⁰ [Bolnuri wine to participate in 11th International Exhibition of Wine and Spirits with Support of RMG](#), 14 June 2018



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