

Court File No.: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT
ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF LYDIAN INTERNATIONAL LIMITED, LYDIAN
CANADA VENTURES CORPORATION AND LYDIAN U.K.
CORPORATION LIMITED**

Applicants

**APPLICATION RECORD OF THE APPLICANTS
(Returnable December 23, 2019)**

December 22, 2019

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INDEX

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VOLUME 1 OF 2

INDEX

TAB	DOCUMENT
1.	Notice of Application
2.	Affidavit of Edward A. Sellers sworn December 22, 2019
A.	<i>Exhibit "A" - Corporate Chart of Lydian Group</i>
B.	<i>Exhibit "B" - Letter of Request to the Jersey Court</i>
C.	<i>Exhibit "C" - Removal Order (English translation)</i>
D.	<i>Exhibit "D" - Fourth A&R Forbearance Agreement</i>
E.	<i>Exhibit "E" - Letters to Government of Armenia regarding UK Treaty and Canada Treaty</i>
F.	<i>Exhibit "F" - Audited Financial Statements of the Lydian Group for the 2018 Fiscal Year</i>
G.	<i>Exhibit "G" - Interim Financial Statements of Lydian Group for the third quarter of Fiscal Year 2019 Ending September 30, 2019</i>

H.	<i>Exhibit "H" – Stream Agreement</i>
I.	<i>Exhibit "I" – Senior Intercreditor Agreement</i>
J.	<i>Exhibit "J" – CAT Intercreditor Agreement</i>
K.	<i>Exhibit "K" – ING Intercreditor Agreement</i>
L.	<i>Exhibit "L" – Ameriabank Intercreditor Agreement</i>
M.	<i>Exhibit "M" – Cash Flow Forecast</i>
3.	Draft Order
4.	Blackline of Draft Order to Model Order

TAB 1

**ONTARIO
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Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing on December 23, 2019, at 8:30 a.m., at 130 Queen Street West, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date December 23, 2019

Issued by _____
Local registrar

Address of court office 330 University Avenue, Toronto,
Ontario M5G 1R7

APPLICATION

THE APPLICANTS MAKE THIS APPLICATION FOR:

1. An initial order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) substantially in the form attached at Tab 3 of the Applicants’ Application Record, for, *inter alia*:

- (a) abridging the time for service of this Notice of Application and the materials filed in support of the Application and dispensing with further service thereof;
- (b) declaring that the Applicants are parties to which the CCAA applies;
- (c) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as an officer of this Court to monitor the assets, businesses and affairs of the Applicants (in such capacity, the “**Monitor**”);
- (d) staying all proceedings taken or that might be taken in respect of the Applicants, their directors and officers, and the Monitor until January 2, 2020, subject to further Order of the Court (the “**Stay of Proceedings**”);
- (e) granting the following charges over the Applicants’ property:
 - (i) an administrative charge in favour of the Monitor, counsel to the Monitor, counsel to the Applicants and other professionals (the “**Administration Charge**”);
 - (ii) a charge in favour of the directors and officers of the Applicants (the “**D&O Charge**”);

2. Such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THIS APPLICATION ARE:

General

- (a) The Applicants, Lydian International Limited ("**Lydian International**"), Lydian Canada Ventures Corporation ("**Lydian Canada**") and Lydian U.K. Corporation Limited ("**Lydian UK**"), are insolvent;
- (b) The Applicants are companies to which the CCAA applies;
- (c) The claims against the Applicants exceed \$5 million;
- (d) The Applicants are part of a corporate group (the "**Lydian Group**") with a number of subsidiaries ultimately owned by Lydian International. In addition to the Applicants, the Lydian Group includes:
 - (i) Lydian U.S. Corporation ("**Lydian US**");
 - (ii) Lydian International Holdings Limited ("**Lydian Holdings**")
 - (iii) Lydian Resources Armenia Limited ("**Lydian Resources**"); and
 - (iv) Lydian Armenia CJSC ("**Lydian Armenia**");

(together, Lydian US, Lydian Holdings, Lydian Resources and Lydian Armenia are the "**Non-Applicant Stay Parties**")
- (e) The Lydian Group is in the business of developing a gold mine in south-central Armenia (the "**Amulsar Project**");
- (f) Lydian Armenia, as the principal operating subsidiary in the Lydian Group, spearheaded construction of the Amulsar Project beginning in October 2016;
- (g) Beginning in June 2018 and continuing to date, Lydian Armenia has been unable to access and complete the construction of the Amulsar Project due to a variety of external factors including ongoing illegal blockades at the site and

certain arbitrary and prejudicial actions and inactions of the Government of Armenia;

- (h) As a result of these external factors, the Lydian Group has dismissed more than 90% of its workforce and terminated substantially all of its supply relationships;
- (i) As a further result of these external factors, the Lydian Group has defaulted on substantially all of its obligations to its lenders;
- (j) Since October 2018, the Applicants have entered multiple forbearance agreements with their lenders, the most recent of which expired on December 20, 2019;
- (k) During this period, the Lydian Group continued to engage in discussions with its lenders to address the situation in Armenia, while at the same time evaluating a range of financing and strategic alternatives;
- (l) While the Applicants continue their discussions with their lenders, they require immediate protection from this Court to stabilize their business and, amongst other things,
 - (i) resolve the issues that have resulted in Lydian Armenia being unable to access the Amulsar Project; and
 - (ii) pursue financing and/or sale options for the Applicants and the Lydian Group as a whole;
- (m) A&M has consented to act as the Monitor;

Stay of Proceedings

- (n) The Applicants require a Stay of Proceedings and the other relief sought to permit them to continue operating as a going concern as they pursue restructuring options in order to maximize enterprise value;

- (o) It is necessary and in the best interests of the Applicants and their stakeholders that the Applicants be afforded the “breathing space” provided by the CCAA as they attempt to restructure their business;
- (p) In light of the highly integrated nature of the Lydian Group, it is necessary and in the best interests of the Applicants and their stakeholders that the Stay of Proceedings be extended to the Non-Applicant Stay Parties;

Court Ordered Charges

- (q) The Administration Charge and D&O Charge are required to secure the professional services required to complete these CCAA proceedings and ensure the continued cooperation of the Applicants’ directors and officers.

Other Grounds

- (r) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (s) Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;
- (t) Section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and
- (u) Such future and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this Application:

- (a) the Affidavit of Edward A. Sellers to be sworn December 23, 2019, and the exhibits attached thereto;
- (b) the consent of A&M; and

- (c) such further and other evidence as counsel may advise and this Court may permit.

December 22, 2019

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LYDIAN INTERNATIONAL LIMITED, LYDIAN CANADA VENTURES CORPORATION AND LYDIAN U.K. CORPORATION LIMITED

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

NOTICE OF APPLICATION
(RETURNABLE DECEMBER 23, 2019)

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Lawyers for the Applicants

TAB 2

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LYDIAN INTERNATIONAL LIMITED, LYDIAN CANADA VENTURES CORPORATION
AND LYDIAN U.K. CORPORATION LIMITED

Applicants

AFFIDAVIT OF EDWARD A. SELLERS
(Sworn December 22, 2019)

I, Edward A. Sellers, of the Town of Rosseau, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Interim President and Chief Executive Officer of the Applicant Lydian International Limited ("**Lydian International**"). I have been the President and Chief Executive Officer of Lydian International since June 12, 2019. I am also a director of the other Applicants in this proceeding. I have been on the Board of Directors of the Applicant Lydian International since November 1, 2018, and went on the Board of Directors of the other Applicants in this proceeding after June 12, 2019.
2. I have extensive experience serving as a director, advisor and lawyer to large public and private enterprises, having done so for over 30 years. I currently serve as President and Managing Director of Black Swan Advisors Inc. ("**Black Swan Advisors**"), providing independent interim governance support and leadership to enterprises in transition, decline or distress. Prior to establishing Black Swan Advisors in 2016, I served as a partner and Chair of the national restructuring practice at a leading Canadian law firm.
3. Due to my involvement with the Applicants, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records, press releases, and public filings of Lydian International and have spoken with certain of the directors, officers and/or employees of the Applicants, as necessary. Where I have relied upon information from others, I believe the information to be true.

4. All references to currency in this affidavit are references to United States dollars, unless otherwise indicated.

PART 1 - INTRODUCTION & OVERVIEW

5. This affidavit is sworn to support an application by the Applicants for protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").

6. The Applicants' business consists of the exploration and development of a gold mine located in south-central Armenia (the "Amulsar Project" or "Amulsar"). Since obtaining an exploration license in 2006, the Lydian Group (as defined below) has invested more than \$400 million in the Amulsar Project, including more than \$20 million contributed to local communities through social responsibility and environmental projects.

7. Lydian Armenia CJSC ("Lydian Armenia") is the principal operating subsidiary in the Lydian Group. It commenced construction activities at Amulsar in October 2016, after carrying out and obtaining approval of all environmental assessments required by the Government of the Republic of Armenia (the "GOA"), which are described below. Development work at the site progressed to the point that by May 2018 construction of the mine was over 75% complete.

8. Following country-wide protests in April 2018, Armenia's Prime Minister at the time voluntarily resigned and Mr. Nikol Pashinyan became Prime Minister on May 8, 2018. After this change in government, demonstrations and road blockades occurred sporadically throughout Armenia, including at the Amulsar Project.

9. Beginning in June 2018 and continuing to date, Lydian Armenia has been unable to access and complete construction at Amulsar, principally because of the following factors:

- a) ongoing illegal blockades at Amulsar have prevented the Applicants from accessing the site. The GOA has repeatedly acknowledged publicly that the blockaders have no legal basis to prevent access to the Amulsar Project site and have been financially supported by rival mining companies;
- b) police forces in Armenia have not acted on orders made by Armenian courts requiring the removal of blockaders and the commencement of criminal

proceedings against them, and the GOA has failed to cause the police to enforce court orders, further extending the illegal blockades;

- c) duplicative and unnecessary environmental audits and investigations with respect to the Amulsar Project have been conducted or requisitioned by the GOA, which have effectively and retroactively altered the requirements by which permits and licenses had previously been issued to Lydian Armenia and forced the cessation of all operations at the Amulsar Project site;
- d) despite multiple recent public statements from the Prime Minister and other senior members of the GOA, including announcing the intention to take steps to remove the blockaders and restore access, the GOA continues to fail to act on the positive results of the additional environmental audits and investigations imposed by them, which have found Lydian Armenia to be in compliance with all relevant environmental requirements; and
- e) actions have been taken by the GOA to unilaterally and without prior notice or discussion terminate a material water supply previously available to Lydian Armenia, leaving the company without access to its primary operating water source and preventing the commencement of operations at the site; the GOA further denied Lydian Armenia access to an alternative water supply in October 2019.

10. As a result of the above-noted actions by the GOA, and the ongoing blockades, Lydian Armenia and its employees, contractors and suppliers have been prevented from carrying out any development and construction work.

11. In addition to causing extensive delays in the Amulsar Project's development schedule, the Applicants' inability to access the site has forced Lydian Armenia to dismiss in excess of 90% of its workforce and terminate substantially all its supply relationships. The situation has also caused the Lydian Group to default on substantially all of its obligations to its lenders.

12. As discussed in further detail below, since October 2018, the Applicants have entered into several forbearance agreements with their lenders, the most recent of which expired on December 20, 2019. During this period, the Lydian Group continued to engage in discussions with its lenders to address the situation in Armenia, while at the same time evaluating a range of financing and

strategic alternatives. These efforts were ongoing while the Lydian Group continued to press the GOA to address the illegal blockades and restore access to the Amulsar Project.

13. The Applicants' discussions with their lenders remain ongoing. However, given the expiration of the forbearance arrangements in place, the Applicants require immediate protection from this Court to provide the Applicants with breathing room they need to pursue various steps on a time sensitive basis. The lapsing of the Applicants' directors and officers insurance as of December 31, 2019 if no forbearance is achieved has also influenced the timing of this application.

14. Anticipated next steps for the Applicants include continuing discussions with their lenders and other stakeholders, including the GOA, to ensure: a) an end to the actions which have resulted in Lydian Armenia's inability to access the Amulsar Project; and b) the ability to pursue financing and/or sale options for the Applicants and Lydian Armenia, all with a view to achieving a viable path forward without the imminent threat of enforcement steps being taken that could result in an immediate loss of value.

15. Additional steps which are being considered include the commencement of international investment arbitration proceedings against the GOA pursuant to bilateral investment treaties, on the basis that the GOA's actions and inactions have seriously undermined the value of the Lydian Group's investment in the Amulsar Project (the "Treaty Arbitration"). The Lydian Group has also commenced a solicitation process regarding the financing of the Treaty Arbitration, which has to date generated non-binding expressions of interest.

16. The Applicants are seeking CCAA protection in order to permit them to stabilize their situation and explore and pursue the best avenues to maximize recoveries for the Lydian Group's stakeholders.

17. Each of the Boards of Directors of the Applicants have authorized this application.

PART 2 - THE APPLICANTS

Lydian International

18. Lydian International is a corporation continued under the laws of Jersey, Channel Islands from Alberta pursuant to the *Companies (Jersey) Law 1991*. Lydian International was originally incorporated under the *Business Corporations Act* (Alberta) on February 14, 2006 as "Dawson Creek Capital Corp." By articles of amendment dated December 12, 2007, the then outstanding

shares of the corporation were consolidated, and the corporation changed its name from "Dawson Creek Capital Corp." to Lydian International.

19. Lydian International's registered office is located at Bourne House 1st Floor, Francis Street, St. Helier, Jersey, Channel Islands. On June 12, 2019, Lydian International's shareholders approved its continuance under the *Canada Business Corporations Act*. The continuance back to Canada has not yet been implemented but is contemplated as part of a sale or recapitalization transaction.

20. Lydian International has had two types of securities listed on the Toronto Stock Exchange ("TSX"). Its ordinary shares began trading under the symbol LYD on January 10, 2008 and continue trading to date. Certain warrants began trading under the symbol LYD.WT on May 26, 2016 and ceased trading following their expiration on November 27, 2017.

21. Lydian International's authorized share capital consists of one class of fully paid ordinary shares without par value. As of November 11, 2019, 760,017,021 common shares were issued and outstanding. As of December 20, 2019, Lydian International's largest individual shareholders are two of its senior lenders, Resource Capital Fund VI L.P. ("RCF") and Orion Co IV (ED) Limited, a division of Orion Capital Management ("Orion"), who hold 32% and 11.7%, respectively, of Lydian International's shareholdings. As of December 20, 2019, the ordinary shares were trading in very limited volumes at approximately CDN\$ 0.075 per share. There has been a consistent decline in the value of Lydian International's shares since the blockades began- in June 2018, Lydian International's ordinary shares were trading at approximately CDN\$0.35 per share.

Lydian Canada

22. Lydian Canada is a direct, wholly-owned subsidiary of Lydian International. Lydian Canada was incorporated under the *Business Corporations Act* (British Columbia). Lydian Canada's registered head office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario and its registered and records office is located at Park Place, 666 Burrard Street, Suite 1700, Vancouver, British Columbia.

Lydian UK

23. Lydian U.K. Corporation Limited ("Lydian UK"), a corporation incorporated in the United Kingdom under the laws of England and Wales. Lydian UK is a direct, wholly-owned

subsidiary of Lydian Canada. Lydian UK has its registered office at 11-12 St. James's Square, 3rd Floor, Suite 1, London, United Kingdom, SW1Y 4LB, a corporate service provided to it by Vistra Trust Company Limited, and company secretary services provided to it in the UK by Vistra Cossec Limited.

24. Lydian UK has no material trading assets, commercial contracts or trade creditors in the UK. I am a director of Lydian UK, and I conduct restructuring negotiations as well as strategic, management and operational matters for Lydian UK out of Canada. As none of Lydian UK's directors are based in the UK, Lydian UK's board meetings are also conducted outside the UK. Lydian UK's only material creditors are the senior lenders of the Lydian Group, as further described below. Lydian UK's principal professional advisors are based out of Canada, and some of its loan documentation is governed by Canadian law. Lydian UK's only bank accounts are in Canada.

25. The Applicants are considering whether to commence foreign recognition proceedings in the UK, if the Applicants' request for CCAA protection is granted, and will report further to this Court in that regard.

The Lydian Group

26. The Applicants are part of a corporate group (the "**Lydian Group**") with a number of other subsidiaries ultimately owned by Lydian International. A copy of the Lydian Group's corporate chart illustrating the full corporate structure is attached hereto as **Exhibit "A"**.

27. In addition to the Applicants, the Lydian Group includes the following entities:

- a) Lydian U.S. Corporation ("**Lydian US**"), a corporation incorporated under the laws of the State of Colorado, United States, which is a direct, wholly-owned subsidiary of Lydian International, with a registered office located at 5655 S, Yosemite Street, Suite 400, Greenwood Village, Colorado, 80111, USA. Lydian US has three full time and two contract employees who perform accounting and reporting functions for the Lydian Group;
- b) Lydian International Holdings Limited ("**Lydian Holdings**"), a corporation incorporated under the laws of the British Virgin Islands, with a registered office located at Harbour House, P.O. Box 4428, Road Town, Tortola, British Virgin

Islands. Lydian Holdings is a direct, wholly-owned subsidiary of Lydian UK, and is a holding company used by Lydian International as part of the corporate structure;

- c) Lydian Resources Armenia Limited (“**Lydian Resources**”), a corporation incorporated under the British Virgin Islands, with a registered office located at Harbour House, P.O. Box 4428, Road Town, Tortola, British Virgin Islands. Lydian Resources is a direct, wholly-owned subsidiary of Lydian Holdings;
- d) Lydian Armenia is a corporation incorporated under the laws of the Republic of Armenia, with a registered office located at V. Sargsyan 26/1, Yerevan, Armenia. Lydian Armenia is a direct, wholly-owned subsidiary of Lydian Resources, and owns and operates the Amulsar Project.

28. Due to the complete integration of the business and operations of the Lydian Group, the Applicants are seeking an extension of the stay of proceedings over the members of the Lydian Group described above.

29. The Lydian Group is highly integrated, and its business and affairs are directed out of Canada. Substantially all the strategic business affairs of the Lydian Group, including key decision making, are conducted through personnel who are located in Toronto and Vancouver. As President and Managing Director of Black Swan Advisors, I conduct business in Rosseau and Toronto Ontario. As Interim President and CEO of the Lydian Group I also conduct business in Rosseau and Toronto, in addition to the other locations where members of the Lydian Group have offices.

30. The Board of Directors of Lydian International is currently composed of six members, three of whom are resident Canadians and two of whom are located in Toronto. No other director of Lydian International has a common resident nationality. The Special Committee (“**Special Committee**”) struck recently by the Board of Lydian International to direct the Lydian Group’s restructuring efforts is composed exclusively of resident Canadians, two of whom are located in Toronto. Further, as the Interim President and CEO of Lydian International, I serve as a resident Canadian director on the Board of Directors of each member of the Lydian Group. No directors of any member of the Lydian Group other than Lydian International have a common resident nationality.

31. Each of the Applicants has assets located in Ontario. The Lydian Group's loan agreements are governed by the laws of the Province of Ontario. All of the Lydian Group's material professional advisory relationships (including its legal and audit firm engagement partners) are with professionals based in Toronto. The Lydian Group's primary insurance brokerage relationships are also located in Toronto and Calgary.

32. As previously noted, Lydian International's shares trade on the TSX and it is governed by the regulatory regime imposed on public companies by the Province of Ontario and enforced by the Ontario Securities Commission ("OSC").

33. I and the Lydian Group's Canadian counsel have been advised by Jersey counsel that the Jersey insolvency regime is focused on wind-up and liquidation proceedings and provides limited restructuring options. As a result, the Lydian Group has determined to include Lydian International as an Applicant in these proceedings to ensure that a flexible restructuring regime is available to preserve optionality and potential value for all stakeholders, particularly if a restructuring outcome or the Treaty Arbitration yield value to the Lydian Group's public shareholders.

34. I and the Lydian Group's Canadian legal counsel have been advised by Jersey counsel that the Jersey courts have jurisdiction to recognize and enforce foreign insolvency processes, even when such processes have no equivalent under Jersey domestic law. In order to do so, a court seeking to make an initial order over a Jersey entity would be asked to provide a Letter of Request to the Jersey court, in the form attached as **Exhibit "B"**. Accordingly, together with their request for CCAA protection, the Applicants are seeking the issuance of a Letter of Request by this Court seeking the recognition of the initial order in Jersey.

PART 3 - THE AMULSAR PROJECT

35. The Lydian Group is a gold mining enterprise focusing on construction at its 100%-owned Amulsar mine, a development-stage project located in south-central Armenia.

36. Lydian Armenia first obtained an exploration licence for the Amulsar Project in March 2006, and identified a gold deposit in the area later that year.

37. The Lydian Group financed the development of the Amulsar Project from a combination of equity and debt capital and a streaming arrangement. These debt and stream financing

arrangements are secured over substantially all the assets of Lydian Armenia and Lydian International and the shares of various entities of the Lydian Group, as further described herein.

38. As stated, Lydian Armenia commenced construction activities at Amulsar in October 2016, after carrying out and obtaining approval of all environmental assessments required by the GOA, which are more fully described below. Lydian Armenia was planning to complete construction and targeted gold production to commence in the fourth quarter of 2018, having obtained its financing and environmental licenses on that basis.

39. As of June 2018, Lydian Armenia had made good progress on major construction and operational readiness activities at Amulsar, and construction was over 75% complete. However, this progress was hampered by the commencement of ongoing blockades and by a number of arbitrary measures taken by the GOA that followed thereafter, and which continue to date, as described in detail below.

PART 4 - FINANCIAL AND OPERATIONAL CHALLENGES

40. The Lydian Group's current debt position is outlined in greater detail below, and consists primarily of secured obligations owing to term lenders, lenders pursuant to a stream agreement, and equipment financiers (collectively the "Lenders"). A summary of the Lydian Group's total indebtedness and its major shareholders as of November 30, 2019 is provided below:

Entity	Shareholdings	Term Loan	Stream Agreement	Equipment Finance
Orion Mine Finance	88,836,000 shares (11.7%)	US\$154M		
Resource Capital Funds	243,183,333 shares (32%)	US\$26M	US\$33.5M	
Osisko Gold Royalties Ltd.		US\$3.5M	US\$55.8M	
Caterpillar Financial Services Limited (UK)				US\$25.8M

AB Svensk Exportkredit (publ)				US\$52.5M
Ameriabank CJSC				US\$11M
Total	332,019,333	US\$183.5M	US\$89.3M	US\$89.3M

41. As the Lydian Group dealt with a number of financial and operational challenges resulting from the illegal blockades and the acts and omissions of the GOA, which are more fully outlined below, it entered into a series of forbearance agreements with the Lenders commencing in October 2018 through to December 20, 2019. The Fourth A&R Forbearance Agreement (as defined below) expired on December 20, 2019.

42. The Applicants' discussions with their Lenders remain ongoing, however given the expiration of the forbearance agreements in place, the fact that the Lydian Group has no availability remaining under Term Facility B (as defined below) and no ability to draw on any additional liquidity sources, the Applicants require immediate protection from this Court in order to enable them to continue discussions with the Lenders and other stakeholders, with a view to achieving a viable path forward, without the imminent threat of multiple and uncoordinated enforcement steps being taken that could jeopardize, *inter alia*, the Amulsar Project and the Treaty Arbitration, and result in an immediate loss of value.

A. ONGOING FAILURE TO REMOVE THE UNLAWFUL BLOCKADES AT THE AMULSAR PROJECT

43. Commencing in June 2018 and continuing to the present time, Lydian Armenia has been subjected to numerous unlawful and discriminatory actions. The actions have increased in number and worsened over time. They have harmed the company, prohibited its access to the Amulsar site, effectively stripped it of its previously acquired rights to develop the Amulsar Project, and stopped all construction and operations at the site. Lydian Armenia has been required to fight to i) maintain its current mineral permits and licenses, which were provided in accordance with Armenian standards; and ii) defend the company's environmental standards and actions and its reputation in Armenia and internationally.

44. Construction has been disrupted due to numerous arbitrary measures taken or omitted by the GOA, one of which is the failure to take any action to remove the ongoing illegal blockades that have blocked access to Amulsar. Lydian Armenia and its employees, contractors and suppliers have been prevented from accessing the site, and from carrying out any development and construction work. The blockaders have erected makeshift structures on Lydian Armenia's property, allowing them to maintain a constant presence at Amulsar, and have prevented Lydian Armenia's employees, contractors and suppliers from entering the site through physical force and threats of violence.

45. Since the commencement of the blockades, the police and GOA have repeatedly failed to remove the blockaders and restore Lydian Armenia's access to its property, despite months of engagement between representatives of the Lydian Group and GOA authorities, and a court order in April 2019 requiring the police to remove the blockaders.

46. The failure to remove the blockades has resulted in massive delays to the development schedule, on which the Lydian Group obtained financing for the Amulsar Project. As stated, the delays and inability to access the site have also forced Lydian Armenia to reduce over 90% of its workforce.

47. Retained employees represent the core competencies necessary to effectively support a project restart. As at December 20, 2019, the Lydian Group employed a total of 63 full time and contract employees. Approximately 58 people are employed in Armenia. Of this number, 36 are full-time salaried employees, and 22 are contract employees. The Lydian Group expects to have to further reduce its work force as a result of its financial distress but intends to do so while maintaining the minimum complement necessary to permit a possible transactional outcome for the Lydian Group and its stakeholders.

48. As a result of the blockades, there has been a ripple effect in the neighbouring communities. Approximately 1,400 full time and contract jobs have been lost, resulting in many workers and their families having to relocate from the area. As well, the Lydian Group has been unable to continue to provide ongoing financial assistance to neighbouring communities, originally in the form of improvements to roads and social infrastructure, including upgrading schools, a library and community centres.

49. There are significant costs associated with the GOA's failure to end the ongoing illegal blockades and its other arbitrary actions. To date, Lydian International has recognized dislocation costs of approximately \$101 million in its financial results, and further dislocation expenses are expected to be incurred.

B. ENVIRONMENTAL AUDITS AND INVESTIGATIONS

(a) Environmental Approvals Obtained by Lydian Armenia to Commence Construction at Amulsar

50. Development at Amulsar was conducted on the basis of (i) mineral mining rights which were first granted to Lydian Armenia in 2009 for a period of 25 years by the Ministry of Energy, Infrastructure and Natural Resources of the GOA (the "Mining Rights"), and (ii) a September 26, 2012 mining agreement between Lydian Armenia and the GOA (the "Mining Agreement"). The Mining Rights and Mining Agreement authorize Lydian Armenia to construct a mine, and extract and process minerals at the Amulsar Project.

51. In order to obtain the Mining Rights, Lydian Armenia satisfied all necessary environmental approvals from the GOA for various aspects of the Amulsar Project, including approval of an Environmental Impact Assessment ("EIA").

52. Lydian Armenia prides itself in maintaining responsible environmental stewardship through environmental practices which meet or exceed international standards. Those standards and practices were fully evaluated and confirmed as part of the comprehensive assessment under which Lydian Armenia received its Mining Rights, and which formed the basis of the Mining Agreement.

(b) Audit by the Armenian Environmental and Mining Inspection Body

53. In July 2018, Lydian Armenia began to become subject to various attempts to challenge Lydian Armenia's environmental standards, and retroactively revisit and alter the standards to which Lydian Armenia was being held.

54. In July 2018, the Armenian Environmental and Mining Inspection Body (the "EMIB") announced that an inspection would be carried out regarding Lydian Armenia's compliance with environmental and mining laws and regulations. The inspection was ordered by the head of the EMIB, an outspoken opponent to the Amulsar Project.

55. The EMIB inspection identified no significant environmental concerns. Nevertheless, in August 2018, shortly after the conclusion of the inspection, the then head of the EMIB issued Resolution No 30-A, directing Lydian Armenia to refrain from any mining-related activities at the Amulsar Project until the Ministry of Nature Protection, another arm of the GOA, conducted a study in connection with alleged sightings of newly found endangered plants and animal species identified at the Amulsar Project. The Ministry of Nature Protection is now known as the Ministry of Environment.

56. In October 2018, a task force commissioned by the Ministry of Nature Protection confirmed the non-existence of the endangered plant and animal species and concluded that the Amulsar site did not include the necessary habitat to support the animal species in question. Nevertheless, despite the GOA's own acknowledgment that findings in Resolution No 30-A were unsubstantiated, the order restraining any mining related activities was not revoked.

57. Lydian Armenia appealed Resolution No 30-A in September 2018. I am advised by counsel to Lydian Armenia that this resulted in an automatic suspension pending the outcome of the appeal under Armenian law. On October 15, 2019, Lydian's appeal was granted, and the appellate court confirmed that the then head of the EMIB had been in a conflict position when Resolution No 30-A was made. The GOA took no steps to appeal this decision within the applicable appeal period, which has since expired. Despite the GOA not appealing the ruling, and its subsequent revocation, the GOA has failed to ensure that Lydian is otherwise able to regain access to the site to restart construction activities.

(c) ELARD Audit

58. As a further attempt to revisit previous environmental approvals, in July 2018, the Prime Minister announced that an investigation would be required into the potential impact that the Amulsar Project may have on local water resources. The Prime Minister stated at the time that if the investigation determined that no material impact would flow from the Amulsar Project on the source waters of the Town of Jermuk or Lake Sevan, the Amulsar Project would be permitted to proceed.

59. In September 2018, following the release of the EMIB inspection report referred to above, the GOA formally announced its intention to proceed with the requirement that Lydian Armenia undergo an investigation to assess the impact of the Amulsar Project on local water resources.

The Lydian Group considered this audit to be unnecessary and discriminatory in nature – no other mining company in Armenia had been subjected to these requirements. Further, over time the scope of this purported water audit was expanded to retroactively revisit all environmental approvals Lydian Armenia had already obtained.

60. After months of delay, in January 2019, the GOA informed Lydian Armenia that Earth Link and Advanced Resources Development (“ELARD”), an environmental consultancy based in Lebanon, had been appointed to review all matters covered by Lydian’s EIA. However, ELARD was not actually engaged until March 2019 and took months to conduct its investigation. Throughout this audit, Lydian Armenia co-operated fully with ELARD, while maintaining its position that there was no legal basis for conducting yet another investigation into environmental matters relating to the Amulsar Project.

61. ELARD completed the audit and released its report to the GOA on August 7, 2019, concluding that the Amulsar Project does not present a danger to the local water systems, and proposing some minor technical recommendations. In its report, ELARD did not challenge the validity of Lydian Armenia’s EIA. The GOA finally made the ELARD Report public on August 14, 2019. It was expected that once the ELARD report and positive conclusions were announced, the GOA would move swiftly to restore Lydian Armenia’s access to the Amulsar site.

62. Unfortunately, since the release of the ELARD report, the GOA has taken inconsistent positions regarding whether Lydian Armenia would be allowed to regain access to the Amulsar site and continue construction.

63. Notably, following the release of the ELARD report, the Prime Minister publicly stated on August 19, 2019 that the ELARD report confirmed that the Amulsar Project presented no environmental risk to source waters of Jermuk or Lake Sevan, such that all the conditions required for Lydian Armenia to resume work had been met. The Prime Minister also publicly stated then that: i) there was no basis on which to prevent the Amulsar Project from operating; ii) there was nobody better at environmental stewardship in Armenia’s mining sector; iii) rival mining companies intent on preventing Lydian Armenia from operating had funded and encouraged some of the anti-Amulsar blockaders; iv) the entire mining industry in Armenia would be required to come up to Lydian Armenia’s level of environmental stewardship, and pay the price to do so; and v) it was in the National interest that Lydian Armenia be permitted to operate.

64. However, only two days later, the Prime Minister referred the question of whether any further EIA would be required to the Ministry of Environment, suggesting that depending on the result Lydian Armenia could be required to prepare another EIA.

65. On September 6, 2019, senior management of Lydian Armenia and I participated in meetings with the Prime Minister and senior members of the GOA during which confirmations were stated by me regarding Lydian Armenia's intentions to: i) conduct site remediation once access was regained; and ii) recommence construction in the Spring of 2020. I also confirmed that Lydian Armenia would comply with the environmental performance standards inherent in the existing EIA throughout its operation of the Amulsar Project. The next day, those confirmations were affirmed during a taped meeting with the Prime Minister and a much larger group of members of the GOA.

66. On September 9, 2019, the Prime Minister publicly released an edited version of the taped meeting from two days before. The Prime Minister also stated publicly then:

- a) The blockaders should open the gates and go home;
- b) There was no basis on which the GOA could legally require Lydian Armenia to conduct another EIA;
- c) There was no basis on which the GOA could legally stop the Amulsar Project from advancing in accordance with its permits based on the existing EIA;
- d) The Lydian Group had publicly affirmed expressly that Lydian Armenia would comply with its existing EIA performance standards;
- e) Stopping the Amulsar Project would clearly illustrate a discriminatory approach to Lydian Armenia and not enhance Armenia's ability to attract investment;
- f) There would be shared access to Lydian Armenia's monitoring apparatus and results going forward under arrangements agreed with the Lydian Group, and the GOA would establish its own monitoring capabilities before construction recommenced; and

- g) The GOA intended to conduct another inspection to ensure that Lydian Armenia was in compliance with its permits/EIA, including that it has not made any design changes to the Amulsar Project unless permitted under the existing EIA.

67. To date, and despite repeated requests by the Lydian Group, the GOA has not confirmed one way or another whether a further EIA will in fact be required or when the intended inspection by the EMIB will commence.

(d) Water Permit Refusal

68. Operations at the Amulsar Project depend on access to an adequate water supply. When Lydian Armenia obtained its EIA, it entered into a contract with the Yeghegnadzor Water Users Association (the "WUA") to draw water from the Arpa River.

69. Without warning, in November 2018, Lydian Armenia received notice of cancellation of the contract by the WUA. Following the cancellation of the contract, Lydian Armenia applied to the Ministry of Environment to use water from the same source and the same pipe. Despite support from the WUA, and guidance on how best to file the application from officials within the Ministry of Environment, the company's application was rejected in June 2019, on the basis of alleged concerns regarding the impact of the use of the water on the Kechut reservoir and on the Lake Sevan water system. These concerns are unfounded, as the source and pipeline are located downstream from the Kechut Reservoir, and outside the Lake Sevan watershed area. Lydian Armenia appealed this decision, but its appeal was dismissed by the Ministry of Environment in September 2019. Lydian Armenia has brought a further appeal against the Ministry of Environment's orders of June and September 2019 before the Armenian Administrative Court.

70. On July 4, 2019, following the Ministry of Environment's rejection of Lydian Armenia's application, the company applied to the Ministry of Environment to draw water from the Darb River. On October 31, 2019, Lydian Armenia received a written rejection of its water use application signed by the Minister of Environment on October 25, 2019. The company has appealed this decision before the Armenian Administrative Court and has sought the Court's assistance to ensure water access remains.

(e) **Criminal Investigation Against Lydian Armenia**

71. In August 2018, in a further attack on Lydian Armenia's environmental standards, the Prosecutor General's Office of the GOA initiated a criminal investigation against Lydian Armenia, on the basis that Lydian Armenia breached the terms of the Mining Agreement by illegally extracting minerals, causing approximately \$38,000 in damage to the environment, subsurface and minerals. I understand from Armenian counsel that the Prosecutor General's Office put forward no evidence of any extraction having taken place. Nevertheless, the investigation remains ongoing.

72. The cumulative effect of the foregoing and other actions and inactions by the GOA led to the complete cessation of construction activity at Amulsar. Today, rather than being a revenue-producing, operational mine employing hundreds of people in Armenia, Lydian Armenia is facing a liquidity crisis and needs immediate further funding in order to carry out a restructuring or recommence its operations. The GOA has even failed to secure Lydian Armenia's access to the site for winterization and protective measures in respect of the Amulsar Project despite repeated requests over many weeks.

C. ARMENIAN LITIGATION EFFORTS

73. The Lydian Group have been working with Armenian counsel to pursue all available options to resolve the blockades, address the consequences of the environmental audits, and regain access to water resources as well as to the site.

74. Through its local counsel, Lydian Armenia has commenced several local proceedings, reviews and appeals to address the action and inaction of the GOA, police and blockaders. Lydian Armenia's efforts in appealing Resolution 30-A and pursuing legal proceedings to regain access to a source of water and remove the blockaders are outlined above. In addition, Lydian Armenia has commenced proceedings, amongst other things, against the police for failure to act, and actions against protesters for damages in respect of the blockades.

75. In July 2018, Lydian Armenia requested that the police prosecute the blockaders for the crimes of disorderly conduct and "arrogation", which I understand from Armenian counsel is a crime pertaining to the infringement of Lydian Armenia's legal rights through the blockaders' conduct. In August 2018, the police decided not to prosecute. Lydian Armenia appealed this decision, and January 18, 2019, the Armenian court ruled in Lydian Armenia's favour and

instructed the police to prosecute. The Armenian courts subsequently dismissed two appeals brought by the local prosecutor to overturn this decision. It was not until August 14, 2019, that the local prosecutor initiated criminal proceedings against the blockaders, which are ongoing.

76. On September 20, 2018, Lydian Armenia commenced a legal proceeding in Armenia seeking a court ruling that would require the police to remove the blockaders who had been trespassing on Lydian Armenia's property (the "Trespass Case").

77. On April 10, 2019, Armenia's Administrative Court issued its ruling in the Trespass Case in favour of Lydian Armenia, concluding that the blockaders had trespassed on Lydian Armenia's property, and issuing an order directing the police to remove the trespassers and their property from Lydian Armenia's land (the "Removal Order"), an English translation of which is attached hereto as Exhibit "C". The ruling took effect one month after it was issued, and the police were required to implement the Removal Order by June 13, 2019.

78. Although the police did not appeal the Removal Order, to date nothing material has been done to remove the blockaders from the Amulsar Project site, nor to ensure Lydian Armenia's access to its own property. The police and the Compulsory Enforcement Service, which is the agency responsible for the enforcement of court rulings in Armenia, have taken the position that nothing further needs to be done to comply with the Removal Order, other than moving the protesters' trailers by a few meters, as the remaining blockaders are not located within the geographical co-ordinates for removal specified in the Removal Order. The police and Compulsory Enforcement Service maintain this position despite multiple public statements by the Prime Minister acknowledging that there is no legal basis to deny the Lydian Group access to the Amulsar Project site.

PART 5 - RESPONSES TO FINANCIAL AND OPERATIONAL CHALLENGES

79. While continuing with efforts to restore access to the Amulsar site and maintain Lydian Armenia's Mining Rights and the other rights necessary to operate the Amulsar Project, the Lydian Group has also taken various steps to maintain stability over its financial position and seek financial alternatives. Those steps have included: a) negotiating several forbearance arrangements with its Lenders, b) drastic and ongoing cost reduction efforts; c) undertaking a strategic process in 2018 and 2019 to canvas potential refinancing or sales options; d) retaining experts to assist with updating mining information in the form of a 43-101 Technical Report in

order to have available information to re-enter the capital markets for additional financing options; e) preparation for the Treaty Arbitration; and f) commencing a solicitation process for parties interested in financing the Treaty Arbitration.

A. FORBEARANCE ARRANGEMENTS

80. As noted, the numerous actions and inactions of the GOA against Lydian Armenia have substantially restricted access to capital and caused conditions to occur that are deemed events of default by the Lenders.

81. On October 31, 2018, Lydian Armenia and Lydian entered into a Forbearance Agreement with the Lenders, which was amended and restated on December 21, 2018, July 1, 2019, October 1, 2019 and October 14, 2019 (the "**Fourth A&R Forbearance Agreement**").

82. Pursuant to the Fourth A&R Forbearance Agreement, the Lenders agreed to, among other things, forbear from declaring or acting upon their rights with respect to certain events of default that had occurred until the earlier of (i) December 20, 2019, (ii) the occurrence of an additional event of default under such Lender's financing agreement, (iii) any breach by the Lydian Group of the Fourth A&R Forbearance Agreement, or (iv) the date on which any Lender notifies Lydian International that it wishes to terminate the Fourth A&R Forbearance Agreement (only with respect to such Lender), following three days' notice to certain funding Lenders, after the unrestricted cash of the Lydian Group has decreased below \$3,000,000 (the "**Forbearance Period**"). A copy of the Fourth A&R Forbearance Agreement is attached hereto as **Exhibit "D"**.

83. In January 2019, certain of the Lenders committed to make available an additional amount of up to \$18.56 million to fund Lydian Armenia during the Forbearance Period ("**Term Facility B**"). To date, only approximately \$12 million has been drawn under Term Facility B.

84. The Fourth A&R Forbearance Agreement provided for an expiry date of December 20, 2019. Despite extensive negotiations, the Lenders did not agree to an extension of the Forbearance Agreement. As such, without creditor protection, the Lenders are in a position to commence enforcement steps with respect to the various security held by them. The Lydian Group has no ability to make any further draws under Term Facility B.

B. COST REDUCTION EFFORTS

85. To mitigate costs during the ongoing conduct of the GOA, Lydian Armenia has reduced substantially all of its personnel, terminated substantially all construction-related contracts, and placed other contractors on standby. As noted, staged employee terminations occurred through the Forbearance Period, representing a total reduction in Lydian Armenia's workforce in excess of 90%. Retained employees represent Lydian's core competencies necessary to effectively support the completion of potential refinancing, sale and Treaty Arbitration processes.

C. SALE/REFINANCING EFFORTS TO DATE

(a) BMO SISP

86. The Lydian Group, with the assistance of BMO Nesbitt Burns Inc. ("BMO"), an investment bank with recognized expertise in the mining and metals sector, carried out a strategic process beginning in 2018 to canvas potential refinancing or sale options with respect to Lydian Armenia (the "SISP"). This process carried forward through to early 2019 and generated potential interest from several parties; however, the continuing illegal blockades and the conduct of the GOA prevented any meaningful offers that could be executed upon.

87. In October of 2019, BMO was again engaged to undertake a SISP process based on the GOA's statements that they supported the conclusions of the ELARD audit, among other things, and would support the reopening of the Amulsar Project. Through this process, BMO approached a broad range of potential parties to solicit interest in the Amulsar Project and a potential sale or refinancing. Despite a broad canvass by BMO, limited interest surfaced in a transaction and any interest that did surface was significantly impacted given the ongoing blockades and situation in Armenia. Discussions are ongoing with a potential purchaser and the Lydian Group will continue these discussions during the course of the CCAA proceedings to determine if a transaction can be implemented.

(b) Treaty Arbitration Financing Process

88. Commencing in October 2019, the Lydian Group, with assistance from BMO, conducted a process to solicit interest in financing the Treaty Arbitration, which is further described below. BMO contacted numerous potentially interested parties in the litigation financing sector, and established a virtual data room ("VDR") containing information regarding the Lydian Group and

the Treaty Arbitration. Numerous interested parties were permitted to access the VDR following execution of a non-disclosure agreement. The solicitation process for the financing of the Treaty Arbitration is ongoing and has generated non-binding expressions of interest.

D. 2019 TECHNICAL REPORT

89. Since the commencement of the illegal blockades and the GOA's conduct, the Lydian Group has considered numerous restart options, both internally and with the assistance of JDS Energy and Mining Inc. This included the development of a revised National Instrument 43-101 Technical Report in September 2019 (the "**2019 Technical Report**"), which was commissioned to address, in part, the full impact of the blockade on construction, and the resulting delay in the ramp up to full production. The 2019 Technical Report is based on projected changes in pre-production capital, construction and ramp up schedules. It was filed with the OSC in October 2019 and is publicly available.

90. The economic model inherent in the 2019 Technical Report shows a substantial increase of recoverable gold from the Amulsar Project. It also illustrates that approximately \$150 million in capital will be required to complete construction and a further approximately \$25 million in working capital is required bring the Amulsar Project into operation. The 2019 Technical Report provides updated and extensive data regarding Lydian Armenia, which the company believes will assist in developing sale or refinancing options.

E. PREPARATION FOR TREATY ARBITRATION

91. The GOA's refusal to end the illegal blockades, failure to enforce court orders favourable to Lydian Armenia, the audits and investigations described above, and the refusal to grant water permits have caused the Lydian Group to incur significant losses. As a result, in March 2019, Lydian UK and Lydian Canada delivered letters to the GOA triggering their ability to commence arbitration pursuant to the Agreement between the Government of the United Kingdom and the GOA for the Promotion and Protection of Investments (the "**UK Treaty**") and the Agreement between the Government of Canada and the GOA for the Promotion and Protection of Investments (the "**Canada Treaty**"), respectively, on the basis that the GOA's actions and inactions in relation to the Amulsar Project have seriously undermined the value of the Lydian Group's investment in Lydian Armenia. Copies of these letters are attached hereto as **Exhibit "E"**. Lydian UK and Lydian Canada can formally commence arbitration against the GOA at any time.

92. Through the arbitration, Lydian UK and Lydian Canada would be seeking compensation from the GOA in respect of losses incurred by the Lydian Group and its investors. The quantum of the damages to be sought will be the subject matter of the Treaty Arbitration.

93. While the quantum of damages to be sought and ultimately awarded, if any, remains to be determined, the Board of Directors of Lydian International has considered the potential value of the Treaty Arbitration to the Lydian Group and its investors. In particular, the Board of Directors of each of the Applicants, based on consultation with various professionals retained by the Lydian Group, believes that there could be value in the Treaty Arbitration and the Amulsar Project beyond the indebtedness currently owed to the Lenders.

F. PURPOSE OF THE CCAA PROCEEDINGS

94. The Applicants have commenced these proceedings in order to seek the breathing room necessary to pursue various steps to seek to maximize value for all stakeholders, as follows:

- a) continue discussions with the GOA to ensure an end to the actions which have resulted in Lydian Armenia's inability to access the Amulsar Project;
- b) attempt to complete negotiations with the existing Lenders on a consensual path forward;
- c) complete negotiations on a potential sale and/or refinancing of Lydian Armenia;
- d) consider the appropriate corporate vehicle structure to implement a refinancing and/or sale; and
- e) finalize financing discussions and the potential commencement of the Treaty Arbitration.

95. The Applicants recognize that time is of the essence, partially given the cashflow position of Applicants. As the current Forbearance Agreement has expired, the Lydian Group has no availability remaining under Term Facility B, and no ability to draw on any additional liquidity sources.

96. The Applicants intend to use their remaining liquidity and the stability to be gained in the CCAA process to finalize discussions with their Lenders and other stakeholders and potential financing sources.

97. The Applicants intend to return to this Court at the comeback hearing to report to the Court on the results of the Applicant's efforts in that regard.

98. Leading up to the comeback motion, the Lydian Group will seek various sources of interim financing, including alternatives to interim debtor-in-possession ("DIP") financing. Depending on the outcome of these efforts, the Lydian Group may seek approval of interim financing at the comeback motion.

PART 6 - FINANCIAL STATUS

A. ASSETS

99. The Applicants report their financial position along with the other entities in the Lydian Group on a consolidated basis. The Lydian Group's fiscal year for reporting purposes ends on December 31. The latest audited financial statements for the Lydian Group are the statements of financial position for the 2018 fiscal year, which are attached hereto as **Exhibit "F"**. The Lydian Group's interim statements of financial position for the third quarter of fiscal year 2019 as ended September 30, 2019 are also attached hereto as **Exhibit "G"**.

100. As at September 30, 2019, the Applicants' combined assets consisted of the following:

Assets (in thousands of US Dollars)	
Current assets	
Cash and cash equivalents	\$4,089
Restricted Cash	\$1,154
Other current assets	\$16,096
Total current assets	\$21,339
Non-current assets	
Mineral property, plant and equipment, net	\$320,106
Other non-current assets	\$8,134
Total non-current assets	\$328,240
Total assets	\$349,579

B. LIABILITIES

101. As reflected in the chart below, as at September 30, 2019 the Applicants had liabilities totaling approximately \$395 million. The majority of these obligations relate to the term loans and stream obligations, which are described in more detail below.

Liabilities (in thousands of US Dollars)	
Current liabilities	
Accounts payable and other current liabilities	\$1,334
Stream Liability and Debt	\$342,486
Derivative liabilities	\$28,234
Total current liabilities	\$383,911
Non-current liabilities	
Provisions	\$6,361
Deferred VAT payable	\$3,857
Non-current portion of lease liabilities	\$88
Total liabilities	\$395,340

(a) Term Facilities

102. Pursuant to a November 30, 2015 credit agreement between Lydian Armenia as borrower, Lydian International and Orion, RCF and Osisko Bermuda Limited (as of the thirteenth amending agreement) (“Osisko”) in their capacity as lenders (the “Term Lenders”), as amended (the “Credit Agreement”), the Term Lenders agreed to extend a \$160 million term loan to Lydian Armenia on a senior secured basis for the purposes of construction at Amulsar (the “Term Facility”). The Credit Agreement is governed by the laws of the Province of Ontario.

103. The Credit Agreement was amended multiple times, including pursuant to a January 15, 2019 amendment whereby, among other things, Osisko was added as a lender, and the Term Facility B was made available to Lydian Armenia. The Term Facility B was for a total amount of \$18.56 million and initially available to be drawn through the earlier of (i) June 30, 2019, (ii) the date on which the first A&R Forbearance Agreement terminates, and (iii) the date of change of control of Lydian Armenia or Lydian International (the “Term Facility B Maturity Date”). The

Term Facility B Maturity Date was extended on July 1, 2019 and further extended on October 1, 2019 through the earlier of (i) December 20, 2019, (ii) the date on which the Fourth A&R Forbearance Agreement terminates, and (iii) the date of a change of control of Lydian Armenia or Lydian International.

104. As of November 30, 2019, Term Facility and Term Facility B draws totaling \$152 million had been received. Pursuant to the Credit Agreement, the amounts owing to Orion, RCF and Osisko as of November 30, 2019, with interest, were \$154 million, \$26 million and \$3.5 million, respectively. These amounts are reflected in the chart summarizing the Lydian Group's total indebtedness to its Lenders, which was previously set out above.

105. To secure its obligations under the Credit Agreement, Lydian International granted, among others, the following security to the Term Lenders:

- a) a security interest in all of its present and future intangible movable property pursuant to a general security agreement;
- b) a guarantee of Lydian Armenia's obligations under the Credit Agreement;
- c) pledges of Lydian International's shares in Lydian Canada, Lydian US and Kavkaz Zoloto CJSC pursuant to various pledge agreements; and
- d) bank account security agreements granting security interest in certain bank accounts of Lydian International.

106. Lydian Armenia granted, among others, the following security to the Term Lenders to secure its obligations under the Credit Agreement:

- a) certain mortgages over the Amulsar site;
- b) pledges of Lydian Armenia's moveable assets, vehicles, mining rights, and turnover property; and
- c) a security interest in certain of Lydian Armenia's bank accounts.

107. The other Applicants guaranteed the obligations under the Credit Agreement and granted the following additional security:

- a) Lydian Canada granted a pledge of its shares in its wholly-owned subsidiary Lydian UK;
- b) Lydian Canada granted a security interest in all of its present and future assets, property (both real and personal) and undertaking of Lydian Canada pursuant to a general security agreement;
- c) Lydian UK granted a pledge of its shares in its direct subsidiary Lydian Holdings;
- d) Lydian UK granted a security interest over the present and future assets of Lydian UK, including a first fixed charge over the Treaty Arbitration claims;
- e) Lydian Holdings granted a pledge of its shares in its wholly-owned subsidiaries Lydian Resources and Lydian Resources Kosovo Limited; and
- f) Lydian Resources granted a pledge of its shares in its wholly-owned subsidiary Lydian Armenia.

(b) Stream Agreement

108. On November 30, 2015, Lydian Armenia, as seller, and Lydian International entered into a Purchase and Sale Agreement, as amended on March 11, 2016, August 30, 2016, June 30, 2017 and September 28, 2018 and amended and restated on January 15, 2019 (the “**Stream Agreement**”) to sell gold and silver mined from Amulsar to Osisko (following assignment of the Stream Agreement by Orion to Osisko on or about July 2017) and RCF (the “**Streamers**”, together with the Term Lenders, the “**Senior Creditors**”). A copy of the Stream Agreement is attached hereto as **Exhibit “H”**. The Stream Agreement is governed by the laws of the Province of Ontario.

109. Pursuant to the Stream Agreement, Lydian Armenia is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, Lydian Armenia will be paid the lower of prevailing market price, or \$400/oz. for gold and \$4/oz. for silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years.

110. Certain terms of the Stream Agreement will be deemed to be amended upon the occurrence of a further deposit of \$8 million within 10 days of the Term Facility B Maturity Date (which amount may be paid by applying any amounts owing to Osisko and RCF under the Term

Facility B towards the payment of the deposit), including removal of the cap on aggregate gold and silver deliveries and removal of the 40 year term.

111. As of November 30, 2019, Lydian Armenia owed \$33.5 million to RCF and \$55.8 million to Osisko, inclusive of interest, pursuant to the Stream Agreement. This is summarized in the chart set out above, which shows the total indebtedness of the Lydian Group to its Lenders.

112. As summarized below, the security provided by the Lydian Group to the Streamers to secure the obligations under the Stream Agreement parallels the security granted by the Lydian Group to the Term Lenders to secure the obligations under the Credit Agreement.

113. To secure its obligations under the Stream Agreement, Lydian International granted, among others, the following security to the Streamers:

- a) a security interest in all of its present and future intangible movable property, pursuant to a general security agreement;
- b) a guarantee of Lydian Armenia's obligations under the Stream Agreement;
- c) pledges of Lydian International's shares in Lydian Canada, Lydian US and Kavkaz Zoloto CJSC pursuant to various pledge agreements; and
- d) bank account security agreements granting security interest in certain bank accounts of Lydian International.

114. Lydian Armenia granted, amongst others, the following security to the Streamers to secure its obligations under the Stream Agreement:

- a) certain mortgages over the Amulsar site;
- b) pledges of Lydian Armenia's moveable assets, vehicles, mining rights, and turnover property; and
- c) a security interest in certain of Lydian Armenia's bank accounts.

115. The other Applicants guaranteed the obligations under the Stream Agreement and granted the following security:

- a) Lydian Canada granted a pledge of its shares in its wholly-owned subsidiary Lydian UK;

- b) Lydian Canada granted a security interest in all of its present and future assets, property (both real and personal) and undertaking of Lydian Canada pursuant to a general security agreement;
- c) Lydian UK granted a pledge of its shares in its direct subsidiary Lydian Holdings;
- d) Lydian UK granted a security interest over the present and future assets of Lydian UK, including a first fixed charge over the Treaty Arbitration claims;
- e) Lydian Holdings granted a pledge of its shares in its wholly-owned subsidiaries Lydian Resources and Lydian Resources Kosovo Limited; and
- f) Lydian Resources granted a pledge of its shares in its wholly-owned subsidiary Lydian Armenia.

(c) Equipment Financing

116. Lydian Armenia entered into separate secured credit facilities (collectively, the “**Equipment Facilities**”) with the Ameriabank Closed Joint Stock Company (“**Ameriabank**”), Caterpillar Financial Services (UK) Limited (“**CAT**”) and ING Bank N.V, which was subsequently transferred to AB Svensk Exportkredit (publ) (“**ING**” and together with Ameriabank and CAT, the “**Equipment Financiers**”) for the purpose of purchasing equipment associated with the Amulsar Project. Lydian International guaranteed Lydian Armenia’s obligations to the Equipment Financiers. A summary of each term facility is below:

- a) Ameriabank: this term facility has a maximum principal amount of \$24 million and is secured by certain equipment. As of November 30, 2019, \$9.2 million was drawn on this facility, and the availability of further amounts is subject to certain conditions;
- b) CAT: this term facility (the “**CAT Term Facility**”) has a maximum principal amount of \$42 million and is secured by certain mobile mining equipment. As of November 30, 2019, \$28.4 million was drawn on the CAT Term Facility. During the Forbearance Period, an aggregate of \$4.8 million principal payment on the CAT Term Facility has been made pursuant to the terms of the various A&R Forbearance Agreements in effect during the Forbearance Period. No additional amounts can be drawn under the CAT Term Facility. As of November 30, 2019,

the aggregate amount of \$25.8 million is outstanding under the CAT Term Facility, as outlined in the chart above; and

- c) ING: This term facility has a maximum principal amount of \$50 million and is secured by material handling and electrical equipment. As of November 30, 2019, \$48 million was drawn on this facility, and no additional amount can be drawn on it.

117. Lydian Armenia is in default of its obligations under the Equipment Facilities due to, among other things, its failure to pay principal and interest payments under each facility as they came due. The Equipment Financiers agreed to forbear from enforcing their rights under the Equipment Facilities during the Forbearance Period.

(d) Intercreditor Agreements

118. On December 3, 2015, Lydian Armenia, Lydian International and certain other members of the Lydian Group who provided guarantees of the obligations under the Credit Agreement and the Stream Agreement, entered into an Intercreditor Agreement with the Senior Creditors (as amended and amended and restated, the "**Senior Intercreditor Agreement**") to set out certain agreements amongst the Senior Creditors regarding the security interests held by them. A copy of the Senior Intercreditor Agreement, as amended, is attached hereto as **Exhibit "I"**.

119. Pursuant to the Senior Intercreditor Agreement, the parties agreed that the obligations under the Credit Agreement and the Stream Agreement would be secured on a *pari passu* basis, other than with respect to certain advances made by the Term Lenders pursuant to the Term Facility B, which will rank in priority to the other obligations under the Credit Agreement and the Stream Agreement.

120. On December 22, 2016, Orion, as collateral agent for the Senior Creditors (the "**Collateral Agent**"), CAT, Lydian Armenia and Lydian International entered into an intercreditor agreement (as amended, the "**CAT Intercreditor Agreement**") to set out the relative priority of the security granted by Lydian Armenia to CAT and the Senior Creditors. A copy of the CAT Intercreditor Agreement, as amended, is attached hereto as **Exhibit "J"**.

121. Pursuant to the CAT Intercreditor Agreement, the parties agreed that between CAT and the Senior Creditors, CAT will have a first ranking and senior lien in, amongst others, the mobile

mining equipment financed by CAT and the Collateral Agent will have a first ranking and senior lien in all other assets of the Lydian Group and a second ranking lien in, amongst others, the mobile mining equipment financed by CAT.

122. On April 21, 2017, the Collateral Agent, ING, Lydian Armenia and Lydian International entered into an intercreditor agreement (as amended, the “**ING Intercreditor Agreement**”) to set out the relative priority of the security granted by Lydian Armenia to ING and the Senior Creditors. A copy of the ING Intercreditor Agreement, as amended, is attached hereto as **Exhibit “K”**.

123. Pursuant to the ING Intercreditor Agreement, the parties agreed that between ING and the Senior Creditors, ING will have a first ranking and senior lien in, amongst others, the equipment financed by ING and the Collateral Agent will have a first ranking and senior lien in all other assets of the Lydian Group and a second ranking lien in, amongst others, the equipment financed by ING.

124. On November 17, 2016, the Collateral Agent, Ameriabank, Lydian Armenia and Lydian International entered into an intercreditor agreement (as amended, the “**Ameriabank Intercreditor Agreement**”) to set out the relative priority of the security granted by Lydian Armenia to Ameriabank and the Senior Creditors. A copy of the Ameriabank Intercreditor Agreement, as amended, is attached hereto as **Exhibit “L”**.

125. Pursuant to the Ameriabank Intercreditor Agreement, the parties agreed that between Ameriabank and the Senior Creditors, Ameriabank will have a first ranking and senior lien in, amongst others, the equipment financed by Ameriabank and the Collateral Agent will have a first ranking and senior lien in all other assets of the Lydian Group and a second ranking lien in, amongst others, the equipment financed by Ameriabank.

C. CASH MANAGEMENT SYSTEM

126. The Applicants (Lydian International, Lydian Canada and Lydian UK) use a centralized cash management system (the “**Cash Management System**”) to, among other things, collect funds and pay expenses associated with their operations and the operations of the entire Lydian Group. Cash is managed for the Lydian Group by personnel located at Lydian US’s office in Denver, Colorado, and by Lydian Armenia personnel located in Armenia, ultimately at my direction as Interim President and CEO.

127. Lydian International maintains three cash operating bank accounts at the Bank of Nova Scotia in Toronto.

128. Lydian Canada and Lydian UK each have a bank account at the Bank of Nova Scotia in Toronto, which was opened in anticipation of the CCAA filing.

129. Lydian Armenia maintains 13 cash operating accounts, a credit card and a mortgage deposit account. Four of these accounts are held by the Bank of Nova Scotia in Toronto. The remainder are located in Armenia, and held by HSBC and Ameriabank. The accounts are in Armenian, Canadian, US, English, Euro and Rubel currency.

130. Historically, Lydian International transferred funds to Lydian Armenia to assist with costs associated with the Amulsar Project. This was recorded as an intercompany loan from Lydian International to Lydian Armenia.

131. Pursuant to the 11th amendment to the Credit Agreement, Lydian Armenia was permitted to transfer funds up to Lydian International to cover certain employee compensation obligations and for other corporate purposes, which transfers were recorded as a corresponding reduction in the intercompany amount owing by Lydian Armenia to Lydian International. The usual practice was for the transfers from Lydian Armenia to Lydian International to take place every few months, in increments of approximately \$1 million. I understand that the last transfer was done approximately one week ago. The Applicants intend to continue this practice within the CCAA proceedings.

D. THE APPLICANTS ARE INSOLVENT

132. The Fourth A&R Forbearance Agreement expired on December 20, 2019. At that time, without additional financing, the Applicants are unable to honour their obligations under the Credit Agreement, Stream Agreement and Equipment Facilities, and are in default of their obligations under these financing arrangements.

133. The Lydian Group has limited financial resources - diminishing cash amounts and no additional liquidity sources available to it. The Lenders under the Term Facility B have expressed concerns regarding the use to which additional advances might be put given the state of developments with the GOA. No assurances regarding any further availability under Term Facility B or additional funding have been provided to the Lydian Group.

E. FUNDING THE CCAA PROCEEDING AND OPERATIONS

134. The Applicants intend to use the time following the commencement of the CCAA proceedings through to the comeback motion to progress discussions with their Lenders and other stakeholders to determine immediate next steps regarding sale or refinancing options, the financing or commencement of the Treaty Arbitration, and/or the process and timeline required for stakeholders to consider these options. The Company will report back to this Court on the status of these discussions.

(a) Cash Flows

135. The Applicants, with the assistance of Alvarez & Marsal Canada Inc. ("A&M"), the proposed Monitor, have prepared a cash flow forecast for the period December 23, 2019 to March 20, 2020 forecasting the Applicants' receipts and disbursements. A copy of the cash flow forecast is attached hereto as Exhibit "M". The Cash Flows show that the Applicants have sufficient funds to carry on their current operations through January 2020.

PART 7 - THE PROPOSED INITIAL ORDER

A. EXTENSION OF STAY OF PROCEEDINGS

136. The Lydian Group is highly integrated, and substantially all the strategic business affairs of the Lydian Group, including key decision making, are conducted through personnel and supported by professional advisors who are located in Canada. Due to the integration of the business and operations of the Lydian Group, the Applicants are seeking an extension of the stay of proceedings to Lydian US, Lydian Holdings, Lydian Resources and Lydian Armenia. The Applicants believe that the extension of the stay to these entities will prevent uncoordinated realization and enforcement attempts from being made in different jurisdictions, and thereby prevent immediate losses of value for the Lydian Group's stakeholders.

137. As noted, the Lydian Group determined that it was necessary to include Lydian International and Lydian UK as Applicants in the within proceedings because of the complete integration of all of their business activities and affairs, and to preserve optionality and potential value for all stakeholders. This was also determined to be necessary in light of the flexible and remedial nature of the CCAA, the potential for the value of the Amulsar Project and Treaty

Arbitration exceeding the amounts owing to the Lenders, and the limited restructuring options available under the Jersey and UK insolvency regimes.

138. As noted, with respect to Lydian International, the Applicants are seeking this Court's assistance in issuing a Letter of Request to the Jersey court to permit the recognition of the CCAA proceedings in Jersey.

B. THE MONITOR

139. A&M has consented to act as the Court-appointed Monitor (the "**Monitor**") of the Applicants, subject to Court approval. A&M has retained Thornton Grout Finnigan LLP ("**TGF**") as its counsel, in contemplation of the order that may be made appointing it as Monitor.

140. A&M is a trustee within the meaning of section 2 of the BIA, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

141. I am advised by Alan Hutchens of A&M that the proposed Monitor is supportive of the relief being sought in favour of the Applicants and the existence and amounts of the Court-ordered charges described below.

C. ADMINISTRATION CHARGE

142. The Applicants seek a charge (the "**Administration Charge**") on their assets, property and undertakings (the "**Property**") in the maximum amount of \$350,000 to secure the fees and disbursements incurred in connection with services rendered to the Applicants, both before and after the commencement of the CCAA proceedings by:

- (a) The Monitor and its counsel TGF;
- (b) Stikeman Elliott LLP, the Applicants' Canadian counsel;
- (c) Freshfields Bruckhaus Deringer LLP, the Applicants' UK counsel and their counsel in connection with the recognition proceedings; and
- (d) Mourant Ozannes, the Applicants' counsel in Jersey and the British Virgin Islands in respect of restructuring proceedings.

143. The Applicants have worked with A&M to estimate the proposed quantum of the Administration Charge and believe it to be reasonable and appropriate in view of the

complexities of its anticipated CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

144. Subject to section 11.52 of the CCAA, the Administration Charge is proposed to rank in priority to all other security interests, claims of secured creditors, trusts, liens, charges and encumbrances, statutory or otherwise in favour of any person, other than a person who has not received notice of the Application (the "Encumbrances").

D. D&O CHARGE

145. To ensure the ongoing stability of the Applicants' business during the CCAA proceedings, the Applicants require the continued participation of their directors, officers and employees. However, the Applicants' directors and officers (the "D&Os") have indicated that, due to the potential personal exposure associated with the Applicants' aforementioned liabilities, they cannot continue their service with the Applicants unless the initial order grants them certain protections commonly granted to directors and officers of companies involved in proceedings under the CCAA.

146. The Applicants are seeking typical provisions staying all proceedings against the D&Os and granting the D&Os an indemnity with respect to all post-filing claims that may arise against the D&Os in their capacity as the Applicants' directors or officers.

147. The Applicants maintain directors' and officers' liability insurance (the "D&O Insurance") for the D&Os. The current D&O Insurance policies provide a total of \$10 million in coverage. Lydian International has also granted contractual indemnities in favour of the D&Os, but do not have sufficient funds to satisfy those indemnities should the D&Os be found responsible for the full amount of the potential liabilities they may be exposed to. In addition, under the D&O Insurance, there are retentions for certain claims and the presence of a large number of exclusions creates a degree of uncertainty. The current D&O Insurance will lapse as of December 31, 2019 as a result of no forbearance extension being achieved.

148. Accordingly, the Applicants are seeking a charge on the Property in the amount of \$200,000 (the "D&O Charge") to secure payment under the indemnity granted by the Initial Order in favour of the D&Os. The D&O Charge is proposed to rank immediately after the Administration Charge, but subject to section 11.51 of the CCAA, ahead of all other

Encumbrances. It is intended, and the proposed initial order is drafted, that the charge will only apply in circumstances where the D&O Insurance is insufficient or ineffective.

149. The Applicants worked with A&M to quantify the potential liability that could accrue to the D&Os and to size the charge. I am informed by Alan Hutchens of A&M that they consider the Applicants' request for a grant of the D&O Charge and the proposed size of the D&O Charge to be reasonable in the circumstances.

E. PROPOSED RANKING OF THE COURT-ORDERED CHARGES

150. The proposed ranking of the requested Court-ordered charges is as follows:

- (a) First, the Administration Charge, to a maximum amount of \$350, 000; and
- (b) Second, the D&O Charge, to a maximum amount of \$200,000.

151. In accordance with the CCAA, the proposed initial order provides that the Court-ordered charges will rank ahead of all other existing security interests of any persons, except for any person who is a "secured creditor", as defined in the CCAA, as of the date of the initial order and who has not received notice of this Application. The Applicants intend to seek an order granting priority over all Encumbrances on notice to such secured creditors.

PART 8 - COMEBACK MOTION


152. Should this Court grant the Lydian Group's application for CCAA protection, the Applicants intend to use the stability provided through the CCAA process to progress discussions with their stakeholders.

153. The Applicants intend to return to this Court at the comeback hearing in January to report to the Court on the Applicants' discussions with the Lenders, Equipment Financiers and key stakeholders to:

- a) develop a consensual path forward;
- b) complete negotiations on a potential sale and/or refinancing of Lydian Armenia;
- c) finalize financing discussions and potentially commence the Treaty Arbitration;
- d) address the potential need for and approval of DIP financing;

- e) grant super-priority to the court-ordered charges over any secured creditors who were not served with the Applicants' Application Record; and
- f) extend the stay of proceedings granted in the initial order.

SWORN BEFORE ME at the City of
Toronto, Province of Ontario, on
December 22, 2019.



Commissioner for Taking Affidavits

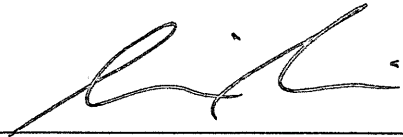
Sanja Sopic



Edward A. Sellers

EXHIBIT “A”

***THIS IS EXHIBIT "A", referred to in the
Affidavit of EDWARD A. SELLERS,
sworn on December 22, 2019.***



Commissioner for Taking Affidavits

Lydian Group Organization Chart

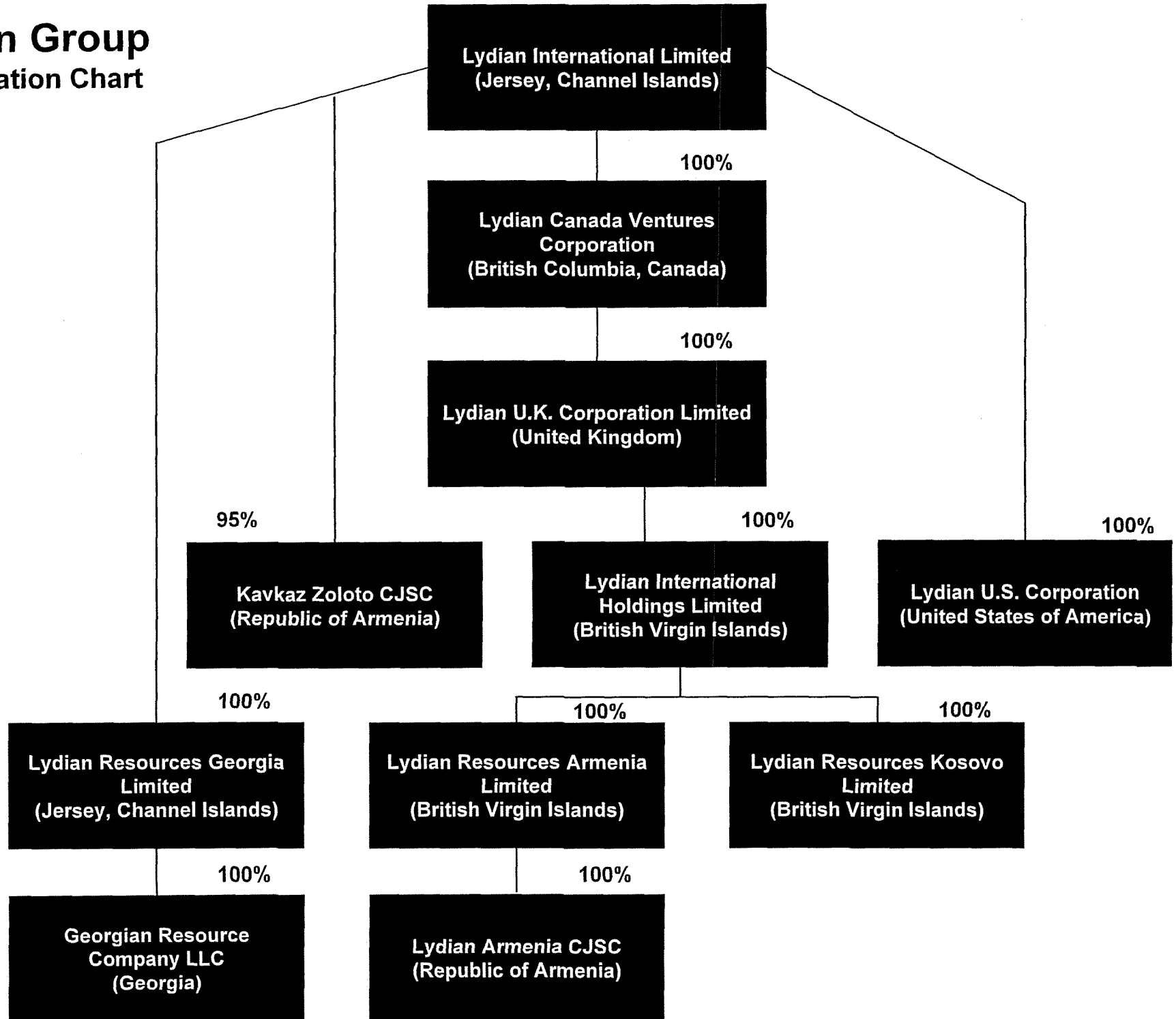


EXHIBIT “B”

*THIS IS EXHIBIT "B", referred to in the
Affidavit of EDWARD A. SELLERS,
sworn on December 22, 2019.*



Commissioner for Taking Affidavits

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LYDIAN INTERNATIONAL LIMITED, LYDIAN CANADA VENTURES CORPORATION
AND LYDIAN U.K. CORPORATION LIMITED**

**LETTER OF REQUEST
(COMITY APPLICATION)**

To: The Bailiff of the Royal Court of Jersey
Royal Court Building, Royal Square
St Helier, Jersey
JE1 1JG

The Superior Court of Justice (Province of Ontario, Canada) ("**Ontario Court**"), respectfully requests the assistance of the Royal Court of Jersey to provide assistance to the Ontario Court as set out below and assures the Royal Court of Jersey reciprocal assistance in appropriate circumstances.

WHEREAS:

1. By an order dated the 23 December 2019 of the Canadian Court ("**CCAA Order**"), Lydian International Limited ("**Lydian International**"), Lydian Canada Ventures Corporation and Lydian U.K. Corporation Limited (collectively, the "**Debtors**") were granted protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (Canada) ("**CCAA**") on the grounds that they were unable to pay their debts. Certain other non-applicant entities were also granted a stay of proceedings¹ (the non-applicant entities together

¹ Georgian Resource Company LLC, Kavkaz Zoloto CJSC, Lydian Armenia CJSC, Lydian Resources Georgia Limited, Lydian Resources Armenia Limited, and Lydian Resources Kosovo Limited.

with the Debtors are the “**Lydian Group**”). A copy of the CCAA Order is attached hereto as Schedule “A”.

2. The Lydian Group is connected to Jersey by means of Lydian International, a corporation continued under the laws of Jersey from the Province of Alberta pursuant to the *Companies (Jersey) Law 1991* (Lydian International was originally incorporated under the *Business Corporations Act* (Alberta)). Lydian International’s registered office is located at Bourne House 1st Floor, Francis Street, St Helier, Jersey.

3. Pursuant to paragraph **Error! Reference source not found.** of the CCAA Order, Alvarez & Marsal Canada Inc. was appointed as the monitor (the “**Monitor**”), an officer of the Ontario Court, to monitor the business and financial affairs of the Debtors pursuant to the CCAA.

4. Pursuant to the CCAA and the CCAA Order, the Monitor has broad powers including the authorization to have full and complete access to the Debtor’s Property (as the term “Property” is defined in the CCAA Order), including the premises, books, records, data (including in electronic form) and other financial documents of the Debtors, to the extent that is necessary to adequately assess the Debtors’ business and financial affairs or to perform its duties arising under the CCAA Order (see e.g. paragraph **Error! Reference source not found.** of the CCAA Order).

5. Pursuant to paragraph **Error! Reference source not found.**, the Monitor was granted the authority and powers “to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of [the CCAA Order] and for assistance in carrying out the terms of [the CCAA Order]”. The same paragraph further provides that “the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.”

NOW:

6. I, the Honourable Geoffrey B. Morawetz, Chief Justice of the Ontario Court, confirm that, as a matter of international comity, the courts of the provinces and territories of Canada will give effect to orders made by the Royal Court of Jersey relating to the bankruptcy of an individual or company (save for the purpose of enforcing the fiscal laws of Jersey).

7. It having been shown to the satisfaction of the Ontario Court that it is necessary for the purposes of justice and to assist the Monitor in the performance of its duties, pursuant to the CCAA Order of the Ontario Court, I hereby request the assistance of the Royal Court of Jersey, pursuant to its inherent jurisdiction, to act in aid of the Monitor in the conduct of the reorganization of the Debtors and in particular (without prejudice to the generality of the foregoing):

- (a) by recognising the appointment of the Monitor with such appointment to be registered in the Rolls of the Royal Court of Jersey in respect of Lydian International;
- (b) by recognising the rights and powers of the Monitor to take all steps on behalf of Lydian International necessary to bring the Property and Business of Lydian International under its control;
- (c) by declaring that no action shall be taken or proceeded with against Lydian International except by leave of the Court and subject to such terms as the Court may impose; and
- (d) by granting such further or other relief as it thinks fit in aid of the Monitor and the reorganization of Lydian International.

Dated: 23 December 2019

The Honourable Geoffrey B. Morawetz,
Chief Justice of the Superior Court of Justice
(Ontario)

EXHIBIT “C”

THIS IS EXHIBIT "C", referred to in the Affidavit of EDWARD A. SELLERS, sworn on December 27, 2019.

A handwritten signature in black ink, appearing to be 'R. A. Sellers', written in a cursive style.

Commissioner for Taking Affidavits

REPUBLIC OF ARMENIA
ADMINISTRATIVE COURT
RULING

Administrative case No VD/9786/05/18

In the name of the Republic of Armenia

April 10, 2019

Yerevan city

The administrative case opened by Lydian Armenia, CJSC (hereinafter referred to as the Company or Claimant) against RA Police, represented by the Jermuk Department of the RA Police division for Vayots Dzor province (hereinafter referred to as the Department or Respondent), is being heard by the Administrative Court of the Republic of Armenia (hereinafter referred to as the Court) at the open sitting,

chaired by

Judge AVAGYAN Artur, with clerks NERSISYAN Inna and HOVAKIMYAN Nelli;

and attended by:

Claimant's counsel NASIBYAN Khoren (license No 1509, based on power of attorney executed by Lydian Armenia, CJSC on Sept. 19, 2018); and

Respondent's counsel SARGSYAN Arman (based on the power of attorney executed by Police Deputy Chief on Oct.05, 2018).

Under the case, the Claimant seeks a decision that will make the Police Department to remove trespassing from the Claimant-owned real property areas with coordinates of 39.740911, 45.609243 and 39.734013, 45.608475.

Below are the facts determined by the Court.

1. Procedural history

On Sept. 20, 2018, a claim was brought by the Company's counsel seeking to instruct the Police (represented by the Department) to remove trespassers from the Company-owned real property areas with coordinates of 39.740911, 45.609243 and 39.734013, 45.608475.

The claim was admitted for hearing based on the Court's ruling of Sept. 27, 2018.

The preliminary court sitting, held on October 29, 2018, was attended by Claimant's counsel Khoren Nasibyan and Respondent's counsel Arman Sargsyan.

Under the Evidence Disclosure Decision passed by the Court on October 29, 2018, the RA Police division for Vayots Dzor province was instructed to provide all the case information collected in relation to the Company-submitted applications.

Under the statement of claim, supplemented on Sept.20, 2018, the Company's counsel asked the Court to instruct the Police Department to remove trespassers from the Company-owned real property areas with 39.740911, 45.609243 and 39.734013, 45.608475 coordinates.

The preliminary court sitting, held on November 20, 2018, was attended by Claimant's counsel Khoren Nasibyan and Respondent's counsel Arman Sargsyan.

The preliminary court sitting, scheduled for December 21, 2018, at 3 p.m., was not held because of the absence of judge Artur Avagyan, who participated in the general meeting of judges.

The preliminary court sitting, held on January 30, 2019, was attended by Claimant's counsel Khoren Nasibyan and Respondent's counsel Arman Sargsyan, with the decision made by the Court to allow the case to proceed.

The court hearing held on March 21, 2019, at 3 p.m., was attended by Claimant's counsel Khoren Nasibyan and Respondent's counsel Arman Sargsyan. The Court completed the court examination of the case at its March 21 sitting and set the date of announcing the judgement on the merits, that is April 10, 2019, at 5 p.m.

2. Legal Reasoning of the Claimant

Below are the facts, reasoning and demands made by the Claimant under the statement of claim:

In early June 2018, a group of people trespassed on the Claimant-owned territory (with the coordinates of 39.740911, 45.609243) and installed a trailer therein, having no owner's permission and/or any legal authority thereunto. On August 13, 2019, Police report was filed by the Company counsel Khoren Nasibyan to remove the trespassers from the above-mentioned Company-owned territory. The Police report was accompanied with the areas' legal-possession-certifying document, namely certificates on State registration of real property rights for the land areas. Under the RA Government's Resolution No 797-N of May 10, 2007, clause 4 of the Annex, the Police department officers were supposed to visit the real property area within a 3 hours' period upon receipt of the police report, but none of them did so and/or made a call within the prescribed period of time. Instead, on August 14, 2018 the Police department chief sent a letter No 84/1367 to the Company requiring a submission of plans of the real property units, specified by the above-mentioned State registration certificates. The demand for the plan submission was not justified and was made irrespective of the fact that no plan-submission requirement is stipulated by the RA Government's Resolution. Under the Police department Chief's note No 84/1376 of August 15, 2018, the Claimant counsel was invited to the Police department for presenting the case. Based on the Police department chief's letter No 84/1394 of August 20, 2018, the Police found no elements of trespassing in this case.

On August 22, 2018, the Claimant had to re-file his Police report because of the ongoing actions at the site impeding the exercise of the ownership rights by the Claimant. In response, the Police department chief sent another incomprehensible letter No 84/1394 on August 23, 2018 stating that the trailer was installed at the territory beyond the Company-owned area, which was not consistent with the reality. The actions and inactivity of the Police department officers were not appealed by way of subordination by the Claimant. Until the day of submission of the statement of claim, the Claimant was deprived of the opportunity to exercise his property ownership rights because of the failure of the Police department's staff to exercise the authorities stipulated by the above-mentioned Annex to the RA Government's Resolution No 797-N of May 10, 2007.

When applying the provisions of the RA Constitution (article 10.1), the RA Civil Code (articles 163.1, 203.1, 203.4 and 203.5), as well as the RA Government's Resolution No 797-N of May 10, 2007 on the "Procedure and Conditions of Police Authorization by Legal Possessor of Real Property for the purpose of Preventing and/or Removing Trespassing" (Annex sections 1, 2, 4, 11, 12 and 14) to the facts of the case, it becomes clear that the Police department officers were supposed to discharge the duties prescribed by the above-mentioned Government's Resolution (Annex, clause 4), namely to visit the real property area within a three hours' period upon receipt of the Claimant's report, which was not done de facto. Besides, under the letter of August 14, 2018, the Police required the plans of the real property units aside from the Certificates on the State registration of the real property rights, having no reasonable cause to do so. The above-mentioned Government's Resolution (Annex, clause 2) states that a certificate on State registration of real property rights shall be deemed as the document that certifies the legal possession of the real property. Meanwhile, the Police report submitted by the Claimant on August 13, 2018, was accompanied with both the mentioned certificates and the plans of the areas, which are not required under the law. Under the circumstances, the Police's demand is groundless and unnecessary, and it implies a breach of the principle of the prohibition of abuse of formal requirements, prescribed by article 5 of the RA law on "Fundamentals of Administration and Administrative Procedure", as well as a disregard of the Principle of the Maximum, stipulated by article 9 of the same law.

It is worth mentioning that the failure to open an investigation based on filed police reports and the above-mentioned disregard of procedural and substantive rules were justified by the Police by the fact that the trespassers were exercising their constitutional right for freedom of assembly (RA Constitution, article 44.1), according to the the Police department Chief's letter No 84/1394 of August 20, 2018. The Police department has missed the point of the RA law on "Freedom of assemblies" article 4.1 stating that no mass meetings shall be held in a privately-owned area unless authorized by the owner thereof and no trailers/lodge shall be installed and/or constructed by the mass meeting participants therein even with the connivance of the law enforcement bodies. Besides, the RA law on "Freedom of assemblies" article 4.1 states that "the place of assembly should be the one to which everyone has access."

It will be difficult to regard the privately-owned production site, which is a matter of dispute, as "accessible for everyone". Such a liberal interpretation of the law implies ominous consequences for the society and the Police department's logic suggests that everyone may break another's fundamental rights and may trespass to a privately-owned real property just by force of the right for freedom of assemblies prescribed by the RA Constitution article 44.

Police were supposed to be guided by RA law on "Regulatory legal acts" article 41. The literal interpretation of the law on "Freedom of assemblies" article 1.4 implies that a privately-owned land area may serve as a place of assembly if accessible for everyone (namely, if authorized by the land area owner or if organized by the latter, and etc.). In this case, the situation differs as the Claimant, who is the owner of the land area, is deprived of the opportunity to exercise his ownership rights as prescribed by RA Constitution article 10. At this, the land area, which is privately owned by the Claimant, may not serve as a place for assembly.

With regard to legal position of the European court on human rights under the case *Djavit An v. Turkey* (2003), para.56; *Rassemblement Jurassien Unite Jurassienne v. Switzerland* (1979), p.119, we may state that the case situation is completely different from similar ones, when the right for freedom of assemblies is being exercised on State- and/or community-owned facilities.

In this case, the administrative body has disregarded the peculiarities of the situation and the principle of "prohibition of arbitrariness" prescribed by the RA law on "Fundamentals of Administration and Administrative Procedure" article 7. As proceeding from article 7.2 of the same law, Police has obviously disregarded the peculiarities of the situation (the fact of the land area being privately owned and not accessible for everyone), which implies "displaying individual approach towards essentially different factual circumstances."

The Police department's chief's letter No 84/1394 of August 20, 2018 refers to RA Civil Code article 203.2, which states that "*It shall not be deemed to be intrusion where 1) the land parcel is not fenced or walled in, or 2) there is no written or voice message or image sign prohibiting the entrance into the land parcel.*" And the prerequisite is that "*the entry into the land parcel will not cause any damage to the land parcel*". The disputed land areas are not fenced but are deemed to be mining area and *there is* a sign stating the fact (image sign). And what about the numerous voice statements and messages, made by the land owner's representatives, and the Police reports filed on August 13, 2018 and August 22, 2018. What are they if not the written and voice messages prohibiting the entrance to the land parcel?

The Police has also disregarded the prerequisite of the RA Civil Code article 203.2, stating that "the entrance shall not cause any damage to the land parcel". As mentioned above, the land parcel is a mining area and the fact that the Claimant is deprived of the opportunity to provide for a proper protection, possession and use of the land area because of a group of trespassers means that the land plot may be damaged.

As to the incomprehensible letter No 84/1394, sent by the Police department Chief on August 23, 2018 and stating that the trailer was installed at the area not owned by the Claimant, it's worth dwelling on reasonability of the statement, as it is completely groundless and does not meet the reality, as the land areas do belong to the Company which fact is proven by the certificates on State registration of real property ownership.

Based on the RA law on "Regulatory legal acts" article 41, we may state that the law does not restrict the land plot owner's and/or legal possessor's right to possess the land area, subjected to trespassing and installation of an unknown trailer by trespassers. In addition, it should be mentioned that according to the RA law on "Police of the RA", article 2.1.5, the Police shall provide for an equal protection of all forms of ownership. The improper examination of the police reports, as prescribed by RA law on "Police service of the RA" articles 20.1.1 and 20.1.6, and the failure to remove trespassers, mean that the Police has failed to discharge its duties prescribed by the above norms and the RA law on "Fundamentals of Administration and Administrative procedure" article 4, 5, 7 and 9, as well as the RA Government's Resolution No 292-N of May 10, 2007 on "Procedure and Conditions of Police Authorization by Legal Possessor of Real Property for the purpose of Preventing and/or Removing Trespassing" (Annex sections 1, 2, 4, 11, 12 and 14)", by bringing to lasting breach of property rights certified under the real property rights registration certificates No 18082016-10-0021, 18082016-10-0011, 18082016-10-0055, 18082016-10-0069 and 18082016-10-0013.

On November 14, 2018, the Claimant counsel supplemented the statement of claim as follows:

Material events, which followed the filing of the statement of claim, were not responded by the Respondent properly. Thus, on October 22, 2018, the Claimant filed a report with the Respondent stating that the Claimant-owned territory (coordinates of 39.734013, 45.608475) was trespassed on October 21, 2019 by third persons bypassing the prohibiting sign, and a 3-room metal trailer

was installed there. The report was filed by the Claimant in a manner prescribed by the RA Government's Resolution No 797-N of May 10, 2007, as in previous case.

Just like before, no actions prescribed by the above Resolution No 797-N were implemented by the Respondent. Namely, on October 26, 2018 the Respondent sent a formal letter No 84/1848, signed by Police department acting chief A.Armenakyan, saying that a number of measures were taken by the Police department staff for the purpose of removing the trailer, installed at the entrance of the Claimant's site by a group of Jermuk residents, such as negotiating with the persons and the delivery of crane at the site, and etc., with no tangible results achieved.

Article 203.2 of the RA Civil Code was quoted by the Respondent irrespective of the above-mentioned "measures taken" implying that the Respondent did recognized the lawfulness of the Claimant's demands, and by this the Respondent contradicted the above paragraph, and disregarded the fact that the above-mentioned prohibiting sign had been installed just in front of the site entrance. By the letter, the Respondent urged the Claimant to take measures required to remove the property illegally installed at his own territory, which means that the Respondent once again recognized the legal rights that the Claimant held in the area and the fact of trespassing to the area by third persons.

Based on the above-mentioned, the Claimant asked the Respondent to remove trespassers from the areas, lawfully possessed by him (the Claimant) and having the coordinates of 39.740911, 45.609243 and 39.734013, 45.608475.

3. Legal Reasoning of the Respondent

Below is the reasoning presented by the Respondent in writing:

On August 13, 2018, at 8 p.m., a police report was filed by Khoren Nasibyan, the counsel for the Company, asking to remove the trespassers from the Company-owned territory with coordinates of 39.740911, 45609243. The report was accompanied with certificates No 18082016-10-0021, 18082016-10-0011, 18082016-10-0055, 18082016-10-0069 and 18082016-10-0013 on State registration of real property rights, and a power of attorney. The report was received by e-mail and immediately assigned to Police officer G.Tadevosyan to proceed with. The same day, at 8:03 p.m., G.Tadevosyan communicated with the Company counsel Kh.Nasibyan by mobile (098-190000), who said that he would not be able to visit the mentioned site as he was leaving for Yerevan. G.Tadevosyan presented the procedure saying that the Police were to visit the real property site within a 3 hours' period upon receipt of the Police report to identify the person filing the report, to check the documents certifying the real property rights and to identify the trespassers and/or those trying to intrude the territory and to determine the reasons and/or bases of their presence or attempted entry and to draw up a report of the incident. The same day, at 8:45 p.m., G.Tadevosyan arrived at the site with 3 police officers. The site was occupied by a group of Jermuk city residents protesting against the Amulsar gold mine project. No Company representative was present at the area within the period, G.Tadevosyan had two phone calls the same day at 8:49 p.m. and 9:43 p.m. with Kh.Nasibyan, who said that no Company representative would visit the real property area and that they (the Police) should remove the trespassers. The transcripts of the calls made from G.Tadevosyan's phone within the period are attached. The calls made to Kh.Nasiabyan's phone number of 098190000 are detailed by hour and minutes and coincide with the time period when the report was drawn up under the case materials. The

statement, made in the claim, on that no Police officer visited the site and/or called within a 3 hours' period, is not true and does not meet the reality.

It was determined by the visit that a group of Jermuk city residents had been keeping the site-leading roads blocked since June 22, 2018 by holding a peaceful campaign against Amulsar gold project. No measures were taken to remove the persons from the area that day and no supplementary checks and investigations were made by the Police officer as there was no representative of the legal possessor of the land area present at the site to identify the problem and no detailed plans of the land area were attached to the real property certificates, attached to the police report, to see the factual boundaries of the Company-owned territory. Thus, on August 14, 2018 the Police department chief sent a letter No 84/1367 requiring from the Claimant copies of the plans for the real property units, specified in the above-mentioned certificates, to form a clear idea of the boundaries of the Company-owned land areas. The same day, an information request was made to the Jermuk office of the Real Property Cadaster Committee, by the Police Chief's letter No 84/1368. On August 15, 2018, an electronic version of the plan-map, prepared by the Company experts, was received from Kh.Nasibyan, who said that this was the only boundary map that they could provide. The layout map did not reflect the boundaries of the real property by meters either. The plans, received on August 16, 2018 from the Jermuk office of the Real property cadaster, were better-defined but lacked the metering details again. According to the Claimant, the plans-submission demand is not justified as no such requirement is prescribed by RA Government's relevant resolution. But it should be mentioned that the Resolution is not as much applicable to land areas as it is to apartments and enclosed structures. That is why the police department had to make supplementary checks and surveys, which are not prohibited for the purpose of providing comprehensive and complete materials. The Police department's demand for written explanation (which was found pointless by the Company's counsel) was made to the Complainant for the same reason, that is to get complete information.

According to the Department-collected materials, no elements of trespassing as prescribed by RA Civil code article 203.2 are found in the actions of the group of persons protesting at the entrance of the real property area, and the notion of "a group of persons" is a relative concept. The problem here does not apply to the specified territory but it occurs because of a group of Jermuk residents, who keep the Company sites-leading roads blocked at various localities of the Jermuk community in protest at the Amulsar gold project. When making the protests, the protestors do not necessarily stay within the Company-owned areas all day long, there may be one or two persons staying within the areas at a time, which means that the group of persons stayed both within, and out of, the Company-owned area entrance during the protesting campaign.

Thus, even if the group of persons had continued its protests out of the Company property area due to the Police department's awareness work, the Claimant's problem would not have been solved completely. The Claimant did not use the whole of territory before the start of the protesting campaign, and it was the presence of a group of people who regulated the entry to, and the exit from, the territory. Besides, the community-owned water lines and high-voltage electric lines are still crossing the area. As to "the voice statements and demands", made by the Company after the start of the protests, then they were not perceived by the Department as voice messages as those were not addressed to indefinite circle, the area was open to everyone, considering the regular presence of people there (like in the cases of car breakdown, and etc.). Anyhow, the Department finds that a group of persons may hold a protest campaign at the place and for the purposes not contradicting the requirements of the RA law on "Freedom of assemblies".

On August 22, 2018, the second report was filed by the Company in relation to the same problem and supplemented by the fact that a trailer was installed by the group of persons at the same place. Immediately after receipt of the report, the Police department officers visited the site and drew up a similar report. Once again, no Company representatives participated in the process as they did not visit the site. Based on the report, drawn up with the involvement of the Chief architect of the Jermuk municipality Arsen Garnikyan on August 23, 2018, the above-mentioned installed trailer was not located at the territory owned by the Company.

4. Material facts

Below is the evidence material to the case:

- 1) The Company counsel's letter, addressed to the Police department chief on August 13, 2018 and requesting to take measures aimed at removing trespassing within the period specified by RA Government's resolution No 797-N (Annex, clauses 1, 3 and 4) and considering the fact that the Company-owned area (with coordinates of 39.740911 and 45.609243) was trespassed by a group of persons with no legal basis or authorization of legal holder;
- 2) Police department chief's letter No 1394 addressed to the Company counsel and stating that based on checks and surveys it was determined that a group of persons were participating in peaceful anti-Amulsar demonstration, at the beginning of the road leading to land areas 11, 9, 25, 29 and 30 located on street 30 of Gndevaz village, Jermuk community, at "Renko" called section, a few meters left from the road. The analysis of factual circumstances proved that there were no constituent elements of trespassing in this case, and that's why no measures were taken to remove the persons, temporarily present at the area.
- 3) The Company director's letter addressed to the Police department chief on August 22, 2018 and asking to remove trespassing and to relocate the unlawfully-installed trailer within the prescribed period of time, considering the fact that a group of persons trespassed to the real property area (coordinates of 39.740911, 45.609243) and installed a trailer therein, having no legal basis or authorization of legal owner, and refused to leave the area and relocate the trailer irrespective of numerous warnings and demands made by the Company.
- 4) The Police department chief's letter No 1427 addressed to the Company director and stating that as determined by the Department there were no elements of trespassing by the group of persons, present at the above-mentioned site, as defined by RA Civil code article 203.2, and that the trailer, installed by the group of persons, was located out of the site owned by the Company, according to the metering, made by the involvement of the Jermuk municipality chief architect;
- 5) Company Security deputy chief's letter addressed to the Police department chief on October 22, 2018 and notifying that a trailer was unlawfully installed at the Company-owned area, namely the Site 28 road, on October 21 by the group of persons keeping the Amulsar roads blocked by disregarding the warnings and objections of the Company security staff. In this regard, it was asked to remove the trespassing and to relocate the trailer.
- 6) Letter addressed by the Company's Security deputy chief to the Police department chief on October 24, 2018 and notifying that the trailer, unlawfully installed at the Company-

owned area on October 21, was not removed yet. In this regard, it was asked to remove the trespassing and to relocate the trailer.

- 7) Letter No 1848 addressed by the Police department acting chief to the Company's Managing Director on Oct. 26, 2018 and notifying that a number of measures had been taken by the Police Department staff, namely negotiations held with the trailer-installing persons and a crane delivered, and etc., to remove the trailer from the Company-owned Site 28, installed by a group of Jermuk residents protesting against the Amulsar gold project. But the measures failed and the trailer remained unmoved.
- 8) Note No 04.33 dated Feb.22, 2019 provided by Geocard SNGO of the Geodesy and Cartography SNCO, State committee of real property cadaster, used as a basis for surveying the location of the metal trailer installed by activists at the Company-owned land areas next to Gndevaz village of Jermuk community. Based on the metering of the trailer's points, made on Feb.15, 2019 by the Geodesy and Cartography SNCO's surveying and metering department employees by means of GS-10/GS-15 GPS station, it was determined that
 1. The metal trailer, installed to the right of the big turning point on the 7th km of the road connecting Jermuk with the Yerevan-Meghri highway, is located within the land area, encoded as 0224-0096 and owned by the Company, namely with the turning points of 103, 104, 105 and 106 and surface are of 26sq.m covered;
 2. The metal trailer, installed on the 8th km of the road connecting Jermuk with the Yerevan-Meghri highway, is located within the land area, encoded as 0222-0057, 0022-61, 0022-0063 and owned by the Company, namely with the turning points of 56, 57, 58 and 59 and surface are of 31sq.m covered.
 - The surface area of 10.6 sq.m is located within the land area encoded as 0222-0057 leased by the Company;
 - The surface area of 6.6 sq.m is located within the land area encoded as 0222-0061 and owned by the Company;
 - The surface area of 13.8 sq.m is located within the land area encoded as 0222-0063 and owned by the Company.
- 9) - Certificate on State registration of real property rights No 18082016-10-0013 stating that the land area No 25, located at street 30, Gndevaz community, Vayots Dzor province, with total surface of 0,5461 ha and designated with 10-016-0222-0061 cadastral code, is owned by the Company.
 - Certificate on State registration of real property rights No 19042017-10-0011 stating that the land area, located in Gndevaz community, Jermiuk community, Vayots Dzor province, with total surface of 0,2014 ha and designated with 10-016-0222-0057 cadastral code, is leased by the Company.
 - Certificate on State registration of real property rights No 18082016-10-0069 stating that the land area No 29, located on street 30, Gndevaz community, Vayots Dzor province, with total surface of 0,19416 ha and designated with 10-016-0222-0063 cadastral code, is owned by the Company.
 - Certificate on State registration of real property rights No 18082016-10-0107 stating that the land area No 9, located on street 27 of Gndevaz community, Vayots Dzor province, with total surface of 1,3 ha and designated as 10-016-0224-0096 cadastral code, is owned by the Company.

5. Court's Reasoning and Conclusions

After comprehensive, complete and fact-based examination and analysis of the case materials and evidence, and according to inner conviction, the Court has determined to uphold the claims, based on the below-mentioned grounds.

RA Constitution article 8 states that "All forms of ownership shall be recognized and equally protected in the Republic of Armenia."

RA Constitution article 31 states that "Everyone shall have the right to possess, use and dispose of legally acquired property at his or her discretion."

RA Constitution article 29 states that "Everyone shall have the right to freely participate and organize peaceful, unarmed assemblies."

European convention on human rights, article 11.1, states that "Everyone has the right to freedom of peaceful assembly and to freedom of association with others, including the right to form and to join trade unions for the protection of his interests."

Article 11.2 of the same Convention that "No restrictions shall be placed on the exercise of these rights other than such as are prescribed by law and are necessary in a democratic society in the interests of national security or public safety, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others..."

RA Civil code, article 163.1, states that "The right of ownership is the right of a subject, recognized and protected by law and other legal acts, to possess, use, and dispose of property belonging to it at its discretion."

RA Civil code, article 202.1, states that "Territorial boundaries of a land parcel shall be determined, as prescribed by law, by the State authorized body, based on the documents issued to the owner."

Section 2 of the same article states that "The right of ownership to land parcel shall extend to terrestrial and underground territory within the boundaries thereof, except for the cases provided for by law."

Section 3 of the same article states that "Owner of the land parcel shall have the right to use everything situated on and under the surface of his or her land parcel, unless otherwise provided for by law and unless it violated the rights of other persons."

RA Civil Code article 203.1 states that "Each person shall have the right to prevent others from entering the land parcel, building, structure and the territory of other immovable property under his or her legal possession."

No one shall have the right to enter a land parcel, building, structure or the territory of other immovable property (hereinafter referred to as "intrusion") without the grounds established by law or permission of legal possessor.

The following shall also be considered as intrusion: 1) failure to comply with the demand of the legal possessor to leave the land parcel, building or structure or the territory of other immovable property by a person who has entered the land parcel, building or structure or the territory of other immovable property upon the permission of the legal possessor; 2) failure to comply with the

demand of the legal possessor to leave the land parcel, building or structure or the territory of other immovable property by a person who has entered the land parcel, building or structure or the territory of other immovable property on the grounds established by law, following the termination of those grounds or after performance of the relevant actions provided for by law."

According to section 2 of the same article, "It shall not be deemed to be intrusion where the land parcel is not fenced or walled in, or there is no written or voice message or image sign prohibiting the entrance into the land parcel, and the entry into the land parcel will not cause damage to the land parcel."

According to section 4 of the same article, "Legal possessor shall have the right to undertake reasonable measures of defense in order to prevent or eliminate the intrusion, including the use of force proportionate to the consequence of intrusion, when non-forcible measures may not prevent or eliminate the intrusion. Legal possessor shall have the right to remove the property of another person illegally situated in his or her land parcel, building or structure or the territory of immovable property. Damage caused to the person, who has made the intrusion, as a result of measures undertaken for the purpose of prevention or elimination of the intrusion under the conditions provided for by this part, shall not be subject to compensation."

According to section 5 of the same article, "Legal possessor of a land parcel, building or structure or the territory of other immovable property shall have the right to authorize the police to carry out actions on behalf of him or her, aimed at prevention or elimination of intrusion. Procedure for and conditions of authorizing the police by a legal possessor shall be established by the Government."

RA law on "Freedom of assemblies" article 2.1 states that "for the purpose of the law, an assembly shall be peaceful and no-weapon meetings of two or more persons in a place for the purpose of forming or expressing opinions on issues of public interest..."

Article 2.4 of the same law states that "Place of general use shall be an open space of State or municipal property (street, sidewalk, square, park, garden, land plot, and etc.) ..."

RA law on "Freedom of assemblies" article 14.3 states that "In case if the place of assembly is a State- or community-owned open-space property, which is leased, and/or is a privately-owned open-space area or structure, then the assembly notification shall be accompanied with a written authorization of the leaser and/or owner. No authorization shall be required for the assembly if everyone has a free access to the area."

According to the RA Government's Resolution No 797-N of May 10, 2007 determining the "Procedure and Conditions of Police Authorization by Legal Possessor of Real Property for the purpose of Preventing and/or Removing Trespassing", annex p. 1, "a legal possessor of a land plot, structure or building (hereinafter referred to as the Real property) shall have a right to authorize Police to act on his and/or her behalf for the purpose of preventing and/or removing trespassers who have entered the real property without the grounds established by law or permission of legal possessor (hereinafter trespassing)."

Section 2 of the same Annex states that a legal possessor of the real property is the person who holds a right to possess, own, use or dispose of the property on the grounds established by law or relevant contract, that includes but is not limited to owners, possessors (leaser, beneficiary, developer) or administrator (trust manager) and authorized representatives thereof. The right of

real property legal possession shall be certified by real property rights certificate and/or other equivalent certificates issued by State committee of real property cadaster, RA government.

According to section 3 of the Annex, for the purpose of preventing and/or removing trespassing, legal possessor of real property may apply to Police by phone or other communication means or by personal appearance to the police station to invite police officers to the real property.

According to section 4 of the Annex, Police shall visit the site of the real property within a 3 hours' period upon receipt of the legal possessor's application (police report), unless other time periods are provided for by the legal possessor in the application/report.

According to section 5 of the Annex, upon arrival at the real property site Police shall identify the person who had filed the report, shall check the documents certifying the legal possessor's rights to the real property, shall identify the trespassers and/or persons attempting to trespass, as well as shall determine the legal bases or reasons of his/her presence at the real property area.

According to section 11 of the Annex, in cases when it is determined by Police officer that a person is not authorized to be at the site and/or if the person refuses to identify himself and/or herself or provide documents certifying the validity of his being at the site, and/or the dispute between the parties is based on invalid agreement, then the Police officer shall make an oral warning not to enter the site and/or to leave the site of the real property within a reasonable period of time.

According to section 14 of the Annex, after being authorized by legal possessor of the real property the Police officer will make another demand to leave the site or to abstain from trespassing to the site by warning that failure to comply with his instructions will be deemed as public disobedience with all the implications prescribed by law. Should the trespasser refuse to comply with the police officer's instructions once again, the latter will have a right to apply force or special means prescribed by law for the purpose of preventing and/or eliminating trespassing.

The analysis of the above-mentioned legal norms proves that the RA Constitution guarantees a right of ownership, at this everyone shall have the right to possess, use and dispose of the right at his/her discretion. The ownership right to land parcel shall cover both aboveground and underground areas thereof, except for the cases prescribed by the law, with the boundaries determined by authorized State body based on documents issued to the owner. One of the warranties of the real property right is the right prescribed by the RA Civil Code for everyone to prevent other persons' intrusion, in this case trespassing, to the real property legally possessed by him/her. At this, the intrusion means an entering a land parcel, building, structure or the territory of other immovable property without the grounds established by law or permission of legal possessor. Besides, for the purpose of removing trespassing a legal possessor shall have a right to take reasonable protection measures, including the removal of property unlawfully installed at the real property area. It is worth mentioning that there are no elements of intrusion in the cases when the land parcel is not fenced and/or walled, and/or there is no written or voice message or visual sign prohibiting the entrance into the land parcel, and/or the entry into the land parcel will not cause any damage to the land parcel. Real property legal possessor shall have a right to authorize police to act on his/or her behalf for the purpose of removing trespassing, with the conditions and procedure of the authorization prescribed by the RA government. For the purpose of preventing/removing trespassing, prescribed by the RA government's resolution, real property's legal possessor shall have a right to authorize police, as prescribed by respective resolution, to take measures aimed to remove the trespassing on the basis not prescribed by the law and/or not authorized by legal possessor. The real property legal possessor shall be the

person who is entitled to possess, own and use real property based on agreement or law, including but not limited to the real property owner. The right of legal possession of real property shall be certified by entitlement certificates to be issued by State committee of real property cadaster. For the purpose of preventing and/or removing trespassing, legal possessor of real property may apply to Police by phone or other communication means and/or by personal appearance to the police station to invite police officers to the real property. Police officer shall visit the site of the real property within a 3 hours' period upon receipt of the legal possessor's application (police report), unless other time periods are provided for by the legal possessor in the application. After being authorized by legal possessor of the real property the Police officer will make another demand to leave the site or to abstain from trespassing to the site by warning that failure to comply with his instructions will be deemed as public disobedience with all the implications prescribed by law. Should the trespasser refuse to comply with the police officer's instructions once again, the latter will have a right to apply force or special means prescribed by law for the purpose of preventing and/or eliminating trespassing.

RA legislation guarantees the right for peaceful unarmed assemblies, with no restrictions placed on the exercise of these rights other than such as are prescribed by law and are necessary in a democratic society in the interests of national security or public safety, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others. At this, an assembly is a peaceful and armed temporary presence of two and more persons at a place for the purpose of forming and expressing an opinion on any issue of public interest. And the place of assembly is a State- and/or community and/or privately-owned open-space area or structure, accessible to everyone. Moreover, for the above cases the law requires a written permission to be issued by the property owner or possessor for holding the assembly. No permission will be required in the cases when the place of holding the assembly is accessible to everyone.

Under this case, the Claimant asks the Court to instruct Police to remove trespassing of the Company-owned real property units with coordinates of 39.740911, 45.609243 and 39.734013, 45.608475. The claim is based on the facts that a group of persons have trespassed the Claimant-possessed land area, without the Claimant's authorization/permission, have installed a trailer there and refuse to leave the territory, which implies a violation of the Claimant's right of possession prescribed by the RA legislation.

In response, the Respondent, namely the Police, notifies by letters dated August 20, 2018 and August 23, 2018, that there are no elements of trespassing (in one case it is deemed to be an assembly and in the other case the trailer is not located at the territory owned/possessed by the Company) and by letter of October 26, 2018 they informed that the measures taken by the Police department staff for the purpose of relocating the trailer have failed.

Meanwhile the Court has determined, based on the analysis of legal norms and case evidence, that according to Note No 04.33 dated Feb.22, 2019 provided by Geocard, SNGO of the Geodesy and Cartography SNCO of the RA government's committee for real property rights, the land plots encoded as 0224-0096, 0222-0057, 0022-0061, 0022-0063, trespassed by the above persons and used for installation of the trailer, are legally possessed (owned and/or leased) by the Company. Which means that the Company, as a legal possessor of the land plots, was and is authorized and entitled to take reasonable measures for the purpose of protecting its rights. Namely, to authorize the Police to remove trespassing from the Company's legally-possessed land area and to relocate the trailer unlawfully installed therein. At this, the Court has determined

that the Police were charged by law to take measures to remove trespassers, up to the applying force or other measures prescribed by the law.

Court has determined that a group of persons has trespassed to the Company-possessed land area and installed a trailer with no authorization of the Company, which is a legal possessor thereof, with no legal authorization thereof and by violating the Company's right of inviolability of ownership and the right of unhindered use of property.

Court has determined that the fact of availability or absence of the fences and/or walls, as well as the entrance-prohibiting written or voice messages or image signs on the disputed land area shall not be qualified as an absence of elements of trespassing as there is a photo in the case evidence showing the Company-installed written sign strictly prohibiting unauthorized entry to the site. Besides, the actions taken by the legal possessor of the land area to remove trespassing testify to the presence of the elements of trespassing, which means that the unauthorized entry to the land area by the group of persons was unlawful and should be deemed as trespassing.

As to the Respondent's arguments stating that the entry to the land plot by the group of persons should be deemed as the exercise of the persons' right for freedom of assembly, the Court has determined that the refusal to leave the Company-possessed land area should not be regarded lawful, as it implies the violation of the Company's right of inviolability of property and the right of unhindered possession thereof.

Thus, the Court has determined that the right for freedom of assembly shall not be deemed as an absolute right and shall not be interpreted that broadly based on the limitations prescribed by national and international laws applied for protection of third persons' rights and freedoms. The purpose of the Court is to provide for balance between the two rights guaranteed by the RA Constitution, as the Court finds that none of the Constitutional rights shall be exercised through restriction of other rights. Moreover, a place of mass gathering shall be deemed as a place of assembly only if it is accessible to everyone and provided that the owner and/or possessor of the land area has authorized in writing the holding of the assembly at the area, and there is no need for the authorization if everyone has access to the area.

This is the legal position expressed by the European court on human rights when determining that "The right for freedom of assembly is one of the public society bases and shall not be interpreted restrictively (see G.v. The Federal Republic of Germany, No 13079/87, Dec. 6.3.89, D.R. 60 p. 256, at p.263). This right is applicable to private assemblies and public rallies (see Rassemblement Jurassien and Unite Jurassienne v.Switzerland, No.8191/78 Dec. 10.10.79, D.R. 17 p. 119), demonstrations (see Christian against fascism an racism v. The United Kingdom, No. 8440/78 Dec. 16.7.80, D.R. 21 p. 148) and sit-in strikes. Nevertheless, *the Court-voiced positions contain no statement that the right for freedom of assemblies is aimed to guarantee the right of assemblies for public or social purposes in any place (see Anderson and nine others v. The United Kingdom, No. 33689/96, 27.10.97, 25 EHRR CD 172)*".

This means that the exercise of the right of assemblies is not absolute and may not be exercised everywhere, in this case in the privately-owned area with no authorization by the legal possessor thereof. The unavailability of the authorization for holding the assembly at the area by the Company, which is a legal possessor of the land plot, implies that there is no opportunity to access the mentioned area for peaceful assemblies as well. Moreover, according to the Court the Police have not provided an evidence of that the protesters were deprived of the opportunity to hold the assembly at any other area, not possessed by the Company.

Based on the above-mentioned the Court concludes that the presence of the group of persons at the area lawfully possessed by the Company shall be deemed as trespassing, which means that the Company's claim may and shall be upheld to instruct Police to remove trespassing from the Company-owned real property units with coordinates of 39.740911, 45.609243 and 39.734013, 45.608475.

As to the court expenses under the case, the RA Administrative procedure code's article 60.1 states that it is the aggrieved party that shall pay the costs incurred by the RA Court Department in relation to experts and witnesses, as well as the other party's costs incurred for proper exercise of the right of court defense. The Court hereby finds that the Respondent, represented by the Police, shall pay the State duty amount previously paid by Claimant.

Based on the above-mentioned and in accordance with the RA Administrative Procedure Code, articles 60, 1240127 and 132, the Court has determined

1. To uphold the claim brought by Lydian Armenia, CJSC versus Police (represented by Jermuk Police department, Vayots Dzor province division, RA Police);

To instruct the Police to remove trespassing from the Company-owned real property units with coordinates of 39.740911, 45.609243 and 39.734013, 45.608475.

2. To collect the State duty amount of AMD 4000 from the Police in favor of Lydian Armenia, CJSC.
3. This Ruling shall come into force within a month after publishing thereof and may be appealed to the RA Court of Appeal within the prescribed period.
4. The Ruling will be enforced by the Court decision enforcement bodies if not execute voluntarily.

Judge,

Artur Avagyan

EXHIBIT “D”

THIS IS EXHIBIT "D", referred to in the Affidavit of EDWARD A. SELLERS, sworn on December 22, 2019.



Commissioner for Taking Affidavits

FOURTH AMENDED AND RESTATED FORBEARANCE AGREEMENT

THIS FOURTH AMENDED AND RESTATED FORBEARANCE AGREEMENT is dated as of October 14, 2019

BETWEEN:

LYDIAN ARMENIA CJSC ("Lydian Armenia")

-and-

LYDIAN INTERNATIONAL LIMITED ("Lydian")

-and-

ORION CO IV (ED) LIMITED ("Orion")

-and-

RESOURCE CAPITAL FUND VI L.P. ("RCF")

-and-

OSISKO BERMUDA LIMITED ("Osisko")

-and-

ING BANK N.V. ("ING")

-and-

AB SVENSK EXPORTKREDIT (publ) ("SEK")

-and-

CATERPILLAR FINANCIAL SERVICES (UK) LIMITED ("CAT")

-and-

AMERIABANK CLOSED JOINT-STOCK COMPANY
("Ameriabank")

(each, a "Party" and collectively, the "Parties")

RECITALS:

- (a) Lydian Armenia, Lydian, Orion, Osisko and RCF have entered into a credit agreement made as of November 30, 2015, as amended by an amending agreement dated as of March 11, 2016, as further amended by a second amending agreement dated September 30, 2016, as further amended by a

third amending agreement dated October 14, 2016, as further amended by a fourth amending agreement dated October 21, 2016, as further amended by a fifth amending agreement dated June 30, 2017, as further amended by a sixth amending agreement dated April 19, 2018, as further amended by a seventh amending agreement dated June 29, 2018, as further amended by an eighth amending agreement dated July 31, 2018, as further amended by a ninth amending agreement dated August 15, 2018, as further amended by a tenth amending agreement dated August 31, 2018, as further amended by an eleventh amending agreement dated September 28, 2018, as further amended by a twelfth amending agreement dated November 2, 2018, as further amended by a thirteenth amending agreement dated January 15, 2019, as further amended by a fourteenth amending agreement dated July 1, 2019 and as further amended by a fifteenth amending agreement (the "Senior Credit Amending Agreement") dated October 1, 2019 (collectively, the "Senior Credit Agreement");

- (b) Lydian Armenia, Lydian, Osisko (as successor to Orion Co IV (SO) Limited) and RCF have entered into an amended and restated purchase and sale agreement dated January 15, 2019 (the "Stream Agreement");
- (c) Lydian Armenia, Lydian and CAT have entered into a credit agreement made as of December 22, 2016, as amended by a first amendment to credit agreement dated August 17, 2017, as further amended by a second amendment to credit agreement dated June 27, 2018 and as further amended by a third amendment to credit agreement (the "CAT Third Amendment") dated as of the date hereof (collectively, the "CAT Agreement");
- (d) Lydian Armenia, Lydian and ING have entered into a facility agreement dated February 8, 2017, as transferred by ING to SEK, as lender, pursuant to a transfer certificate dated March 31, 2017, as amended by a first amendment to facility agreement dated December 14, 2017 and as further amended by a second amendment to facility agreement dated July 31, 2018 (collectively, the "SEK Agreement");
- (e) Lydian Armenia and Ameriabank have entered into principal agreement no. 171116 dated November 17, 2016, as amended by an amendment to principal agreement no. 171116 dated May 29, 2017 and a second amendment to principal agreement dated July 18, 2018 (collectively, the "Ameriabank Agreement", together with Senior Credit Agreement, CAT Agreement and SEK Agreement, the "Facility Agreements");
- (f) Lydian Armenia is a debtor of each of Orion, RCF, Osisko, ING, SEK, CAT and Ameriabank pursuant to their respective Facility Agreements;
- (g) Lydian Group Members (as defined below) have breached and may with the passage of time breach certain covenants and other obligations, and have triggered or may trigger certain events of default under the Credit Documents (as defined below) solely and directly as a result of (collectively

and as further detailed in Exhibit "A" hereto, the "Specified Events of Default"):

- (i) certain ongoing blockades at Lydian Armenia's Amulsar gold project located in the Republic of Armenia (the "Project");
 - (ii) certain audits and fact finding investigations of the Project undertaken by or on behalf of the Republic of Armenia; and
 - (iii) the failure to deliver any updated project schedule or construction budget as may be required pursuant to the Credit Documents.
- (h) Lydian has advised that it intends to pursue one or more of: (i) a sale solicitation process in respect of the Project, (ii) a private or public issuance, sale, or placement of equity, equity-linked or debt securities of Lydian (together, the "Sale and Investor Solicitation Process"), and/or (iii) an arbitration claim against the Government of Armenia (the "Arbitration Process", together with the Sales and Investor Solicitation Process, the "Combined Processes"), and has requested certain accommodations to provide Lydian and Lydian Armenia with sufficient time in which to pursue such processes.
- (i) The Parties entered into a forbearance agreement dated October 31, 2018, which was amended and restated on December 21, 2018, July 1, 2019 and October 1, 2019 (the "Existing FA"), and have agreed to amend and restate the Existing FA on the terms and conditions set forth herein.
- (j) Among other things, Lydian Armenia has requested and: (i) Orion, RCF and Osisko (collectively, the "Senior Credit Lenders") have agreed to extend the Term Facility B Availability Period and Term Facility B Maturity Date (as such terms are defined in the Senior Credit Agreement) to December 20, 2019; (ii) each of the Senior Credit Lenders has agreed to continue to advance additional amounts under the Term Facility B (as defined in the Senior Credit Agreement) in accordance with Section 2.3(1); (iii) Orion, RCF, Osisko, ING, CAT, SEK and Ameriabank (collectively, the "Creditors") have agreed to forbear from declaring or acting upon the Specified Events of Default during the Forbearance Period (as defined below); (iv) except as provided in this Agreement, the Creditors have agreed to forbear from exercising any default-related rights or remedies against the Lydian Group Members under the Credit Documents as a result of the Specified Events of Default during the Forbearance Period; and (v) except as provided in this Agreement, the Creditors have agreed to temporarily suspend all principal and interest payments and all other payment obligations (excluding any reimbursable expenses due and owing under each applicable Facility Agreement during the Forbearance Period) due to each of them under each applicable Facility Agreement during the Forbearance Period, all subject to and in accordance with the terms and conditions contained in this Agreement.

In consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows.

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions.

As used in this Agreement (including the Exhibits attached hereto), the following terms have the following meanings:

"A&R Credit/Stream Intercreditor Agreement" means the amended and restated intercreditor agreement dated as of September 28, 2018 between the Lydian Group Members, Orion (in its capacity as administrative agent under the Senior Credit Agreement) and Osisko (in its capacity as purchasers' agent under the Stream Agreement), as amended by the first amendment dated October 31, 2018 and as further amended by the second amendment dated January 15, 2019.

"Additional Event of Default" has the meaning given to it in Section 4.2.

"Adverse Claim" has the meaning given to it in Section 2.5(1)(l).

"Agreement" or **"Forbearance Agreement"** or **"Amended and Restated Forbearance Agreement"** means this forbearance agreement.

"Ameriabank Agreement" has the meaning given to it in the recitals.

"Business Day" means any day, other than a Saturday, Sunday or statutory holiday in any one of Toronto, Ontario, New York City, New York or Yerevan, Armenia, or a day on which banks are generally closed in any one of those cities.

"CAT Agreement" has the meaning given to it in the recitals.

"CAT Intercreditor Agreement" means the intercreditor agreement dated as of December 22, 2016 between Orion (in its capacity as collateral agent under the A&R Credit/Stream Intercreditor Agreement), CAT, Lydian Armenia and Lydian, as amended.

"Combined Processes" has the meaning given to it in the recitals.

"Credit Documents" means the Facility Agreements, the Stream Agreement and any other agreements or documents executed and delivered pursuant to or in connection with the Facility Agreements and the Stream Agreement.

"Creditors" has the meaning given to it in the recitals.

"Facility Agreements" has the meaning given to it in the recitals.

"Forbearance Period" means the period commencing on October 31, 2018 and ending on the earlier of (i) December 20, 2019, (ii) the occurrence of an Additional Event of Default, (iii) the

date on which any Lydian Group Member breaches any provision of this Agreement, unless extended in writing by each of the Parties, or (iv) if the Senior Credit Lenders have failed at any time to make a cash advance to the Lydian Group Members such as to ensure that the amount of unrestricted cash of the Lydian Group Members is not less than \$3,000,000 (following three days' notice to the Senior Credit Lenders from any Creditor) or the amount of unrestricted cash of the Lydian Group Members is otherwise less than \$3,000,000 (following three days' notice to the Senior Credit Lenders from any Creditor) at any time, the date on which any Creditor notifies Lydian that it wishes to terminate this Agreement and the Forbearance Period whereupon the Forbearance Period will immediately terminate with respect to such Creditor on the date of such notice.

"Green Light Condition" means that Lydian Armenia has entered into an agreement with the Government of Armenia which, *inter alia*, (i) provides for a framework to address certain matters relating to the Project, including investor protections and compensation for impacts that may have been caused to Lydian or the Project due to the ongoing blockades, and (ii) permits or provides for the recommencement of construction of the Project, and which agreement is in all respect, in form and substance, satisfactory to Lydian and each of the Creditors, acting reasonably.

"Guarantee" means, with respect to any Person, any agreement, undertaking or arrangement by which the Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in a debtor, or otherwise to assure a creditor against loss) the obligation, debt or other liability of any other Person or guarantees the payment of dividends or other distributions upon the shares of any Person.

"Intercreditor Agreements" means, collectively: (i) the A&R Credit/Stream Intercreditor Agreement; (ii) the CAT Intercreditor Agreement; (iii) the SEK Intercreditor Agreement; and (iv) the intercreditor agreement dated as of November 17, 2016 between Orion (in its capacity as collateral agent under the A&R Credit/Stream Intercreditor Agreement), Ameriabank, Lydian Armenia and Lydian, in each case, as amended to date and as further amended, supplemented or otherwise modified from time to time.

"Lydian Group Members" means, collectively, Lydian and each of its subsidiaries.

"Orion Collateral Agent" means Orion Co IV (ED) Limited in its capacity as collateral agent for and on behalf of the Other Lydian Creditors (as defined in the SEK Intercreditor Agreement).

"Persons" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governmental authorities.

"Postponed Payments" has the meaning given to such term in Section 2.2.

“Project” has the meaning given to it in the recitals.

“Security” means any mortgage, debenture, pledge, hypothec, lien, charge, claim, deed of trust, royalty, assignment by way of security, hypothecation, security interest, conditional sales agreement, lease or title retention agreement, financing statement or other registration or recording in any public registry system affecting any property or other encumbrance, granted or permitted, in respect of any property, or any consignment by way of security or capital lease of property, or any other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or other obligation.

“SEK Agreement” has the meaning given to it in the recitals.

“SEK Intercreditor Agreement” means the intercreditor agreement dated as of April 21, 2017 between Orion Collateral Agent, SEK, Lydian Armenia and Lydian, as amended.

“Senior Credit Agreement” has the meaning given to it in the recitals.

“Senior Credit Lenders” has the meaning given to it in the recitals.

“Senior Lender Forbearance Advances” has the meaning given to it in Section 2.3(1).

“Specified Events of Default” has the meaning given to it in the recitals.

“Stream Agreement” has the meaning given to it in the recitals.

ARTICLE 2 FORBEARANCE

Section 2.1 Forbearance Period.

In reliance upon the acknowledgements, confirmations, representations, warranties, covenants and agreements of Lydian and Lydian Armenia contained in this Agreement, and subject to the terms and conditions of this Agreement, the Creditors hereby agree to forbear from declaring or acting upon, or exercising default-related rights or remedies under any Credit Document against any Lydian Group Member in respect of, the Specified Events of Default during the Forbearance Period, except as contemplated in this Agreement. Effective immediately on the expiration of the Forbearance Period, the agreement of the Creditors to forbear from declaring or acting upon the Specified Events of Default, or exercising their rights and remedies as set forth herein shall automatically and without further notice, demand or any other requirement by the Creditors made to Lydian and Lydian Armenia expire and be of no further force and effect, it being expressly agreed that the effect of such expiration will be to permit the Creditors to declare the Specified Event of Default and to exercise, without further notice or demand, their respective rights and remedies immediately, in each case, subject to the Intercreditor Agreements.

Section 2.2 Principal and Interest Payments.

- (1) Subject to clause (2) below, the Creditors hereby agree to temporarily suspend all principal and interest payments and all other payment obligations (including for

greater certainty, in respect of the Senior Lender Forbearance Advances, and excluding any reimbursable expenses due and owing under each applicable Facility Agreement during the Forbearance Period) due and payable to each of them under each applicable Facility Agreement during the Forbearance Period, provided that interest shall accrue on all principal and interest during the Forbearance Period at a rate which is two per cent (2%) per annum higher than the rate which would otherwise have been payable (collectively, the "Postponed Payments"). The Postponed Payments shall bear interest in accordance with the terms of the applicable Facility Agreement (provided that such interest shall be based on the non-default rates specified in the applicable Facility Agreement, as increased by the aforesaid 2% per annum) and such Postponed Payments shall be irrevocably, unconditionally and indefeasibly due and payable in full at the end of the Forbearance Period.

- (2) Notwithstanding the foregoing, (i) with respect to each Senior Lender Forbearance Advance, the Senior Credit Lenders, as applicable, shall be entitled to the original issue discount in accordance with Section 2.2.3 and Section 3.2.3 of the Credit Agreement and (ii) with respect to the Ameriabank loan, all interest payable during the Forbearance Period on such outstanding loan shall be capitalized and added to the principal amount of such loan.

Section 2.3 Senior Lender Forbearance Advances.

- (1) Subject to Section 2.3(2), during the Forbearance Period until the principal amount of the Term Facility B is fully drawn, the Senior Credit Lenders, on a several basis, hereby agree to make such cash advances under and subject to the Senior Credit Agreement such that the Lydian Group Members will at all times have unrestricted cash in an amount equal to at least US\$3,000,000 (the "Senior Lender Forbearance Advances"). The Senior Credit Lenders acknowledge that the Senior Lender Forbearance Advances are subject to Section 2.2 of this Agreement.
- (2) The Senior Lender Forbearance Advances shall be subject to the satisfaction of each of the Senior Credit Lenders, acting reasonably, that Lydian is progressing to implement the Combined Processes in accordance with Exhibit "E". Lydian shall provide the Senior Credit Lenders with such information and documents as the Senior Credit Lenders reasonably require in order to make the determination set forth in the preceding sentence.
- (3) Lydian and Lydian Armenia will, promptly upon request of any Creditor, provide evidence of receipt of each Senior Lender Forbearance Advance.

Section 2.4 Tolling.

- (1) Subject to the terms of the Intercreditor Agreements, as of the date hereof and continuing until 14 days following the end of the Forbearance Period, and whether or not demand for payment or a notice of intention to enforce security has previously been delivered by any of the Creditors, the Parties hereby agree to toll and suspend the running of all applicable statutes of limitations, laches or other doctrines related to the passage of time in relation to the Credit Documents and any

rights, remedies or benefits arising from the Credit Documents and any other related matters, and each of the Parties confirms that this Agreement is intended to be an agreement to suspend or extend the limitation period provided by applicable law, any contractual time limitation on the commencement of proceedings, any claims or defenses based upon any applicable statute of limitations, contractual limitations, or any time related doctrine including waiver, acquiescence or laches. To the extent legally possible, each day that has elapsed during the Forbearance Period will be taken into account for the purposes of any enforcement notice periods (statutory or otherwise) contemplated under Armenian law.

Section 2.5 Additional Agreements.

(1) Each of Lydian (on behalf of itself and the other Lydian Group Members) and Lydian Armenia agree to the following:

(a) the Lydian Group Members shall maintain their respective existence as valid and subsisting corporations;

(b) Unless the prior written consent of the Senior Credit Lenders has been obtained, Lydian and Lydian Armenia shall use the Senior Lender Forbearance Advances in accordance with the cash flow forecast as set out in Exhibit "C" (including for expenses and legal fees of their advisors) and shall ensure that:

(i) the actual aggregate cash expenditure from October 1, 2019 to December 20, 2019 shall not exceed the budgeted aggregate cash expenditure for such period, as set out in Exhibit "C";

(ii) the actual aggregate cash expenditure from October 1, 2019 to December 20, 2019 for each of the following categories: (a) US Corporate Costs and LTD Corporate Costs, and (b) Armenia Costs and Other Activities (excluding "Professional Fees"), shall not exceed 110% of the budgeted aggregate cash expenditure for each such category for such period, as set out in Exhibit "C"; and

(iii) the cumulative actual aggregate cash expenditure from October 1, 2019 to the end of any given month shall not exceed 110% of the cumulative budgeted cash expenditure from October 1, 2019 to the end of any such month, as set out in Exhibit "C";

provided that, for greater certainty, the Senior Lender Forbearance Advances shall not be used to pay obligations owing to any of the Creditors (excluding any reimbursable expenses due and owing under each applicable Facility Agreement during the Forbearance Period);

(c) during the Forbearance Period, the Lydian Group Members shall not: (i) make any material acquisitions or investments; (ii) consensually create any further liens; or (iii) make or provide any capital contributions or financial

assistance to third parties, in each case, without the prior written consent of the Creditors;

- (d) during the Forbearance Period, except as contemplated in the cash flow forecast as set out in Exhibit "C", the Lydian Group Members shall not make any discretionary bonus payments to any management or employees without the prior written consent of the Senior Credit Lenders;
- (e) during the Forbearance Period, the Lydian Group Members shall not, other than (A) in the ordinary course of business and consistent with past practice, or (B) as contemplated in the cash flow forecast as set out in Exhibit "C", incur or enter into any new liability or obligation of any nature or kind in an amount:
 - (i) in excess of US\$200,000 during the Forbearance Period, without the prior written consent of the Senior Credit Lenders, or
 - (ii) without limiting clause (i) above, in excess of US\$500,000 during the Forbearance Period (other than any reasonable and properly incurred fees and costs and expenses payable to legal counsel and other advisers necessary for the conduct of the Sale and Investor Solicitation Process), without the prior written consent of the Creditors;

provided in any event that no such liability or obligation shall be owed to (A) any Person that is not at arm's length, or (B) any Creditor other than, subject to the provisions of this Agreement and under the Facility Agreements;

- (f) the Lydian Group Members shall remain current in the payment of any obligations to their employees and governmental obligations (including all taxes and the remittance of all source deductions and sales taxes for which any of the Lydian Group Members are responsible) or any other payable or other secured claim that, in each case, is capable of ranking in priority to or *pari passu* with the obligations owing under the Credit Documents;
- (g) no Lydian Group Member will establish and/or maintain any new operating accounts, deposit accounts or other bank or securities accounts without the consent of the Senior Credit Lenders;
- (h) Lydian shall maintain and keep under operation each of the accounts of the Lydian Group Members currently opened and existing at Ameriabank;
- (i) Lydian shall use commercially reasonable efforts to implement the Combined Processes in accordance with the timeline attached as Exhibit "E" to this Agreement and shall provide an update to the Creditors on the Combined Processes or any other plan, arrangement or process Lydian is pursuing prior to the last day of every month, commencing in October 2019, and Lydian

shall supplement such update with all further information any of the Creditors may reasonably require;

- (j) Lydian shall promptly (and, in any event, within three (3) business days of receipt) notify the Creditors of any offer, expressions of interest, letters of intent or other similar communications that it or its advisors receives, whether in writing or otherwise, in respect of a potential or proposed purchase of the Project (or any other plan, arrangement or process involving the disposition of the Project), together with a copy of each such offer or submission (if in writing), and shall promptly provide to the Creditors all further information any of the Creditors may reasonably request in respect of any such submission or communication;
- (k) the Lydian Group Members shall, subject to the ongoing blockades: (i) take all necessary actions which are within their control to maintain all assets that are subject to any Security in favour of any of the Creditors assembled, in good working condition and safe from any hazards, and (ii) take all necessary steps which are within their control and required to protect such assets from any removal from the site of the Project and any weather or other environmental hazards;
- (l) if any Lydian Group Member shall become aware that any person or entity is asserting any lien, encumbrance, security interest or adverse claim (including any writ of seizure and sale, garnishment, judgment, execution, civil enforcement order, or similar process or any claim of control) against any of them or any of their property (each, an "Adverse Claim"), they shall promptly notify each of the Creditors in writing thereof and provide all documentation and other information that any of the Creditors may request regarding such Adverse Claim;
- (m) the Lydian Group Members shall execute and deliver to any Creditor such documents and take such actions as such Creditor deems necessary or advisable to perfect or protect such Creditor's security interests, mortgages or liens granted by any Lydian Group Member;
- (n) Lydian shall ensure that all actions are taken that any Creditor may require to evidence or confirm that any security interests granted under the Credit Documents are perfected and enforceable including engagement of local counsel for such purposes;
- (o) At Lydian's sole cost and expense, Lydian shall (i) provide to CAT (or its authorized representatives) free and unrestricted access and rights to inspect at any time in CAT's discretion the Mobile Mining Equipment (as such term is defined under the CAT Agreement) situate on or delivered to the Project site at any time prior to or during the Forbearance Period (provided that CAT acknowledges that such access may be restricted by the ongoing blockades), (ii) provide to CAT (or its authorized representatives) records of any and all maintenance performed to date on the Mobile Mining Equipment (as such

term is defined under the CAT Agreement), and (iii) use commercially reasonable efforts to complete winterization of the Mobile Mining Equipment in accordance with the requirements and directions of CAT, Caterpillar Inc., Zeppelin International AG and/or Zeppelin Armenia LLC before November 1, 2019 or such other date as CAT may otherwise agree (provided that CAT acknowledges that access required to complete winterization of the Mobile Mining Equipment may be restricted by the ongoing blockades);

- (p) At Lydian's sole cost and expense, Lydian shall (i) provide to ING (or its authorized representatives) free and unrestricted access and rights to inspect at any time in ING's and SEK's discretion all equipment acquired with proceeds drawn under the SEK Agreement situate on or delivered to the Project site at any time prior to or during the Forbearance Period (provided that ING and SEK acknowledge that such access may be restricted by the ongoing blockades), (ii) provide to ING (or its authorized representatives) records of any and all maintenance performed to date on such equipment, and (iii) use commercially reasonable efforts to complete winterization of all equipment financed with proceeds borrowed under the SEK Agreement in accordance with the requirements and directions of ING and/or the supplier of such equipment before November 1, 2019 or such other date as ING may otherwise agree (provided that ING acknowledges that access required to complete winterization of such equipment may be restricted by the ongoing blockades);
- (q) At Lydian's sole cost and expense, Lydian shall (i) provide to Ameriabank (or its authorized representatives) free and unrestricted access and rights to inspect at any time in Ameriabank's discretion all equipment acquired with proceeds drawn under the Ameriabank Agreement situate on or delivered to the Project site at any time prior to or during the Forbearance Period (provided that Ameriabank acknowledges that such access may be restricted by the ongoing blockades), (ii) provide to Ameriabank (or its authorized representatives) records of any and all maintenance performed to date on such equipment, and (iii) use commercially reasonable efforts to complete winterization of all equipment financed with proceeds borrowed under the Ameriabank Agreement in accordance with the requirements and directions of Ameriabank and/or the supplier of such equipment before November 1, 2019 or such other date as Ameriabank may otherwise agree (provided that Ameriabank acknowledges that access required to complete winterization of such equipment may be restricted by the ongoing blockades);
- (r) Lydian and Lydian Armenia shall notify each Creditor of the balance of the Lydian Group Members unrestricted cash on hand on each Friday of each week and shall provide such additional updates as any Creditor may reasonably request, within one (1) business day of receiving such request;

- (s) Lydian and Lydian Armenia shall, on request, provide the Creditors with such information that the Creditors may reasonably request to ensure that the foregoing covenants are complied with;
- (t) Lydian and Lydian Armenia shall ensure that all payments and reimbursements have been made for premium, premia, commission and any other amounts necessary for effecting and maintaining in force insurance policies relating to Political Risk Insurance (as defined in the CAT Agreement) pursuant to the terms of the CAT Agreement and such payments and reimbursements will be made promptly with respect to any premium, premia, commission or other amounts necessary for effecting and maintain in force insurance policies relating to Political Risk Insurance following the date hereof;
- (u) Lydian shall provide to the Creditors, within ten (10) business days after the end of each month, as set out in the cash flow forecast in Exhibit "C", commencing with the month ending October 2019, a variance report accurately detailing any discrepancy between (i) the actual monthly cash expenditures of Lydian and Lydian Armenia during such month and (ii) the budgeted aggregate monthly cash expenditure of Lydian and Lydian Armenia for such month;
- (v) Representatives of Lydian shall, if requested by any of the Creditors, attend a weekly update call with such Creditors;
- (w) Lydian shall maintain a National Instrument 43-101 oversight committee (the "43-101 Committee"), comprised of representatives of Lydian and representatives from each of the Senior Credit Lenders. The 43-101 Committee shall meet on a weekly basis, unless otherwise agreed upon between the members of the 43-101 Committee, for the purposes of: (i) engaging in discussions with the Qualified Person (as defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*) and engineering firm retained by Lydian (the "Engineering Firm") on the design and implementation of a process (the "43-101 Process"), leading to the delivery of a Form 43-101F1 Technical Report (the "43-101 Report") and ancillary documents, (ii) receiving weekly information and progress reports on the status and implementation of the 43-101 Process, and (iii) providing feedback and commentary to the Qualified Person and the Engineering Firm and any other relevant persons on the implementation of the 43-101 Process and the development of the Form 43-101F1 Technical Report and ancillary documents. Lydian shall: (i) promptly (and in any event within two Business Days of any request from any Creditor) provide to a Creditor all information and copies of any documentation related to the matters described in this Section 2.5(1)(v) and available to Lydian as such Creditor may request, and (ii) promptly (and in any event within two Business Days following the preparation of the 43-101 Report) provide a copy of the 43-101 Report to each Creditor (following the preparation of such report);

- (x) Lydian shall use commercially reasonable efforts to satisfy the Green Light Condition throughout the Forbearance Period; and
- (y) Lydian shall retain Knight Piésold Consulting to review and report to the Creditors on the Earth Link & Advanced Resources Development's environmental audit report with respect to the Project (the "ELARD Report") and Lydian's response to the ELARD Report, on terms acceptable to the Senior Credit Lenders.
- (z) by no later than November 1, 2019, Lydian Armenia and Lydian shall execute and deliver in favour of ING and SEK an amendment agreement amending the SEK Agreement, in form and substance satisfactory to ING and substantially similar to CAT Third Amendment, pursuant to which Lydian Armenia and Lydian shall, if any when requested by ING and/or SEK (i) confirm receipt of a foreclosure notice in relation to the extra-judicial foreclosure of the security granted to ING and/or SEK to secure the obligations under the SEK Agreement and (ii) waive, unconditionally and irrevocably, any applicable notice period and permit ING and SEK to realize immediately (by way of direct sale, public auction and/or transfer of collateral to SEK and/or ING or any other third party selected by ING and/or SEK) on such security prior to the expiry of any applicable notice period.
- (aa) by no later than November 1, 2019, Lydian Armenia and Lydian shall execute and deliver in favour of Ameriabank an amendment agreement amending the Ameriabank Agreement, in form and substance satisfactory to Ameriabank and substantially similar to CAT Third Amendment, pursuant to which Lydian Armenia and Lydian shall, if any when requested by Ameriabank (i) confirm receipt of a foreclosure notice in relation to the extra-judicial foreclosure of the security granted to Ameriabank to secure the obligations under the Ameriabank Agreement and (ii) waive, unconditionally and irrevocably, any applicable notice period and permit Ameriabank to realize immediately (by way of direct sale, public auction and/or transfer of collateral to Ameriabank or any other third party selected by Ameriabank) on such security prior to the expiry of any applicable notice period.

ARTICLE 3 CREDIT DOCUMENTS

Section 3.1 Amendment to Senior Credit Agreement.

- (1) Orion, RCF, Lydian Armenia and Lydian agree that from and after December 21, 2018, the covenants in Sections 3(c) and 3(d) of the eleventh amending agreement dated September 28, 2018 ceased to apply.
- (2) Orion, RCF, Lydian Armenia and Lydian agree that from and after December 21, 2018, the covenants in Section 2 of the twelfth amending agreement dated November 2, 2018 ceased to apply.

Section 3.2 Designation under Credit Documents

- (1) This Agreement is hereby designated by Lydian Armenia, Lydian, Orion and RCF as a Loan Document (as defined in the Senior Credit Agreement).
- (2) This Agreement is hereby designated by Lydian Armenia, Lydian, Osisko and RCF as a Stream Document (as defined in the Stream Agreement).
- (3) This Agreement is hereby designated by Lydian Armenia, Lydian and CAT as a Loan Document (as defined in the CAT Agreement).
- (4) This Agreement is hereby designated by Lydian Armenia, Lydian, ING and SEK as a Finance Document (as defined in the SEK Agreement).
- (5) This Agreement is hereby designated by Lydian Armenia and Ameriabank as a Loan Document under the Ameriabank Agreement.

**ARTICLE 4
REPRESENTATIONS, WARRANTIES, ACKNOWLEDGEMENTS AND EVENTS OF
DEFAULT**

Section 4.1 Representations, Warranties and Acknowledgements.

- (1) Except as expressly provided in this Agreement, nothing contained herein nor any action taken in accordance with this Agreement shall be deemed to amend, waive or consent to the modification, waiver or consent of any other term, condition, covenant or agreement contained in any Credit Document, or be deemed to be a waiver of any existing or future "Default" or "Event of Default" (in each case, or such similar term used under the Credit Documents) under any Credit Document. Each of Lydian (on behalf of itself and the other Lydian Group Members) and Lydian Armenia acknowledges and agrees that this Agreement does not release any of them from any obligations under the Credit Documents, except as provided by this Agreement, and that, as modified by this Agreement, all of the terms, conditions, covenants, agreements and other provisions contained in the Credit Documents are hereby ratified and confirmed in all respects and shall remain in full force and effect.
- (2) Each of Lydian (on behalf of itself and the other Lydian Group Members) and Lydian Armenia acknowledges and agrees that at the expiration of the Forbearance Period, the Creditors have no obligation to continue to forbear and may declare any of the Specified Events of Default and exercise any default-related rights or remedies in respect of the Specified Events of Default, in each case, subject to the Intercreditor Agreements, as if the forbearance hereunder had not occurred.
- (3) Each of Lydian (on behalf of itself and the other Lydian Group Members) and Lydian Armenia acknowledges, confirms, represents, warrants, covenants and agrees that:
 - (a) this Agreement and any other agreements or documents entered into pursuant to this Agreement have been duly authorized, executed and

delivered to the Creditors by it to the extent a party thereto, are in full force and effect, and constitute legal, valid and binding obligations enforceable against it in accordance with their terms;

- (b) the authorization, execution and delivery and performance of this Agreement by it does not and will not (i) violate any applicable law, any regulations or any order, declaration or judgment binding on it, any consent, license, permit or approval to which it is a party or a beneficiary, or any agreement to which it is a party, (ii) conflict with any Lydian Group Member's constating documents, or (iii) result in, or require, the creation or imposition of any lien, security interest or encumbrance on any of its assets, property or undertaking, whether now owned or hereafter acquired;
- (c) each of the recitals contained herein is true and correct in all material respects, and such recitals form an essential part of this Agreement;
- (d) each of the representations and warranties made by on or behalf of the Lydian Group Members in any of the Credit Documents was true and correct when made, and in all material respects, or in all respects to the extent such representations and warranties are already qualified by materiality, remains true and correct on the date hereof (except to the extent stated to be made only as of a specified date, and except to the extent that any such representation or warranty is not true or correct by virtue of the Specified Events of Default), with the same full force and effect as if each of those representations and warranties had been made by the applicable Lydian Group Member on the date of, and within, this Agreement;
- (e) all information provided by the Lydian Group Members, or any of their respective agents, is true, correct, and complete in all material respects, as of the date provided and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;
- (f) the Specified Events of Default constitute one or more "Events of Default" (or such similar term used under the Credit Documents) under one or more of the Credit Documents and, but for this Agreement, entitle the applicable Creditors to accelerate the maturity and demand immediate payment in full of all indebtedness and obligations of the Lydian Group Members pursuant to their respective Credit Documents, and to immediately exercise their rights and remedies under their respective Credit Documents and to enforce liens, encumbrances and security interests in respect thereof and under applicable law;
- (g) no "Default" or "Event of Default" (in each case, or such similar term used under the Credit Documents) under any Credit Document exists other than the Specified Events of Default;

- (h) the Creditors have not waived the Specified Events of Default and nothing contained in this Agreement or the transactions contemplated by this Agreement is or will be deemed to constitute any such waiver;
- (i) the Credit Documents constitute legal, valid and binding obligations of the Lydian Group Members party thereto, enforceable against them in accordance with their respective terms, and the Creditors have and shall continue to have, as applicable, valid, enforceable and perfected liens, encumbrances and security interests created thereby, subject only to liens, encumbrances and security interests permitted in the respective Credit Documents and as may have otherwise been agreed to in writing by the Creditors;
- (j) except for the matters, facts or events giving rise to the Specified Events of Default, there is no matter, fact or event that is known to it that has not been disclosed to the Creditors that is likely to have a material adverse effect on the performance of their obligations under this Agreement, and it has conducted such investigations as it considers reasonably necessary to make this representation and warranty;
- (k) to the knowledge of Lydian and Lydian Armenia, all liens, encumbrances and security interests in respect of the Credit Documents have been properly perfected and registered, as the case may be, in all applicable jurisdictions;
- (l) the indebtedness of Lydian and Lydian Armenia pursuant to the Facility Agreements is unconditionally owing by Lydian and Lydian Armenia to the Creditors, without any valid claim for set-off, deduction, counterclaim, damages or any other defence of any kind, nature or description whatsoever;
- (m) the Lydian Group Members do not have any claims of any kind whatsoever against the Creditors, or any of their respective employees, advisors, officers, directors, affiliates or representatives;
- (n) no action, suit, litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of any Lydian Group Member, threatened by or against or affecting any Lydian Group Member or against any of their property or assets, in each case, with respect to any of the Credit Documents or any of the transactions contemplated hereby or thereby;
- (o) further interest, fees, costs, expenses and other charges shall continue to accrue and be incurred on and in respect of the indebtedness under the Credit Documents in accordance with their respective terms; and
- (p) subject to applicable law and the relief granted by the Creditors hereunder, the Creditors are and will be entitled to the rights, remedies and benefits provided under the Credit Documents, this Agreement and under applicable law.

- (4) Each of the Creditors hereby confirms (and each of the Lydian Group Members acknowledges) that, except as described in Section 2.2(2) in the case of the Senior Credit Lenders, none of such Creditors (respectively) has asked for or will receive (directly or indirectly) payment of any amount or the benefit of any Security or Guarantee from any Lydian Group Member in connection with, or in consideration for, entering into this Agreement or any matter related hereto or the making of any advances to any Lydian Group Member.
- (5) Each of the Creditors hereby confirms in respect of itself that, except for this Agreement and the Intercreditor Agreements (copies of which are attached hereto as Exhibit "D"), it has not agreed to any arrangement(s) or agreement(s) with any other Creditors or with any of the Lydian Group Members in relation to any default or event of default (howsoever described) under any Facility Agreement or otherwise in relation to the subject matter of this Agreement.
- (6) Orion agrees in favour of the other Creditors not to amend any of the Intercreditor Agreements during the Forbearance Period.
- (7) Lydian shall notify each of the Creditors of any fees, expenses or other amounts, other than any fees, expenses or other amounts contemplated in Exhibit "C" attached hereto, to be paid to any Creditor during the Forbearance Period not later than 10 days prior to paying any such fees, expenses or other amounts.
- (8) Lydian Armenia and Lydian shall pay and reimburse ING for any and all charges, fees, premia and other costs EKN (as defined in the SEK Agreement) may charge, at any time, in relation to amounts owing under the SEK Agreement, this Agreement and/or any of the matters contemplated herein.
- (9) Notwithstanding anything to the contrary herein, subject to prior written consent of each Creditor (other than CAT), Lydian Armenia is hereby permitted to sell (or allow CAT or its agents to sell) certain units of Mobile Mining Equipment (to be agreed between Lydian and/or Lydian Armenia and CAT), with the net sales proceeds applied as a permanent repayment against the outstanding principal owed by Lydian Armenia to CAT under the CAT Agreement.
- (10) CAT acknowledges and confirms that it has received payment of the Reserved Amount (as defined and contemplated under section 4.1(10) of the second amended and restated forbearance agreement dated July 1, 2019) and that such payment has been applied as a repayment against the outstanding principal owed by Lydian Armenia to CAT under the CAT Agreement.

Section 4.2 Events of Default.

The following shall each be and be considered to be an "Additional Event of Default" under this Agreement (without limiting any event, action or occurrence that constitutes a "Default" or "Event of Default" (or such similar term used under the Credit Documents) under any Credit Document):

- (a) any "Event of Default" (or such similar term used under the Credit Documents) under any Credit Document, other than the Specified Events of Default, that is existing as of the date hereof or that may occur at any time on or after the date hereof;
- (b) any Lydian Group Member, as the case may be, fails to comply with or defaults in the performance or observance of any of the terms, conditions, covenants, agreements or undertakings under or provided for in this Agreement or any document related to or executed in connection with this Agreement;
- (c) enforcement by any creditor of any material claim or lien against any Lydian Group Member or any of its assets, property or undertaking (and for the purpose of this clause, a claim or the aggregate value of multiple claims held by the same or related Persons shall be material if in an amount in excess of US\$500,000);
- (d) any challenge is made to the legality, validity, binding nature or enforceability of this Agreement, any Credit Document or the obligations owing under any Credit Document by any Lydian Group Member; and
- (e) Lydian fails to obtain and maintain at any time during the Forbearance Period director and officer liability insurance with reputable international insurance companies.

ARTICLE 5 GENERAL

Section 5.1 Conditions to Effectiveness.

This Agreement, including the agreement of the Creditors to forbear as contained herein, shall not be effective unless and until each of the following conditions have been satisfied or waived in writing by each of the Creditors in their sole discretion:

- (a) the Creditors have received a copy of this Agreement and the Senior Credit Amending Agreement duly executed and delivered by all Parties;
- (b) the Creditors have received from Lydian a detailed, monthly cash flow forecast for the period beginning on the date hereof and ending December 31, 2019, in substance and form acceptable to each Creditor, setting forth Lydian and Lydian Armenia's projected monthly expenses, which is attached hereto as Exhibit "C"; and
- (c) the Creditors have received an officer's certificate from Lydian confirming that the representations and warranties contained in this Agreement are true and correct.

Section 5.2 Severability.

If any court of competent jurisdiction from which no appeal exists or is taken, determines any provision of this Agreement to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 5.3 Notices.

Any notices, directions or other communications provided for in this Agreement must be in writing and must be given by facsimile or other means of electronic communication or by hand-delivery. Any such notice, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the day of sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address. Notices and other communications shall be addressed in accordance with the notice details provided in Exhibit "B" hereto.

Section 5.4 Entire Agreement.

This Agreement and the Credit Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein and supersede all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

Section 5.5 Full Force and Effect.

The Credit Documents shall remain unchanged, in full force and effect, and continue to govern and control the relationship between the parties hereto, except to the extent they are inconsistent with, superseded or expressly modified herein. To the extent that there is any inconsistency or ambiguity between the provisions of this Agreement and any Credit Document, the provisions of this Agreement will govern to the extent necessary to eliminate such conflict, inconsistency or ambiguity.

Section 5.6 Successors and Assigns.

This Agreement is binding upon each of the Parties and enures to the benefit of each of the Parties and their successors and assigns. No Party may assign, transfer or convey its rights, benefits, obligations or duties under this Agreement, provided that a Creditor may assign, transfer or convey its rights, benefits, obligations or duties under this Agreement to any Person to whom it has assigned the applicable Credit Documents without the consent of any other Party and provided further that such assignee has agreed to be bound by the terms of this Agreement pursuant to an agreement acceptable to the remaining Creditors, acting reasonably.

Section 5.7 Governing Law.

This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Parties irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario over any action or proceeding arising out of or relating to this Agreement, (ii) waives any objection that it might otherwise be

entitled to assert to the jurisdiction of such courts and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

Section 5.8 Further Assurances.

The Parties agree to execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Agreement, all at the expense of Lydian.

Section 5.9 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement executed by all of the Parties.

Section 5.10 Cumulative Remedies.

The rights and remedies under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available by law, in equity or otherwise.

Section 5.11 Reimbursement of Costs and Expense.

Lydian and Lydian Armenia agree to pay all costs, fees and expenses (including legal fees), expended or incurred by the Creditors in connection with the negotiation, preparation, administration and enforcement of this Agreement, the Credit Documents, the obligations of Lydian and Lydian Armenia under the Credit Documents, and all fees, costs and expenses incurred in connection with any bankruptcy or insolvency proceeding (including, without limitation, any contested matter or motion brought by a Creditor or any other person). Without in any way limiting the foregoing, Lydian Armenia hereby reaffirms its agreement under the applicable Credit Documents to pay or reimburse the Creditors for certain costs and expenses incurred by the Creditors. Lydian and Lydian Armenia are jointly and severally liable for their obligations under this Section 5.11. Lydian and Lydian Armenia agree to pay each Creditor's reasonable costs and expenses (including legal fees) incurred in the preparation and negotiation of this Agreement and any amendments or waivers to the Credit Documents in connection with this Agreement or the Specified Events of Default within 15 days of the date hereof.

Section 5.12 Confidentiality.

Each Party agree that it shall maintain as confidential and, without the prior written consent of the relevant party(ies), shall not disclose the terms of this Agreement or the Intercreditor Agreements, provided that a party may disclose such information: (a) where such information becomes publicly available or widely known by the public other than by a breach of this Agreement; (b) if required by applicable law or requested by any governmental body having jurisdiction over such party; and/or (c) to its affiliates and to any of its or its affiliates representatives, consultants, advisers, insurers or insurance brokers who have a legitimate need to know such information. In the case of disclosure pursuant to paragraph (c), the disclosing party shall be responsible to ensure that the recipient of such information does not disclose such information to the same extent as if it were bound by the same non-disclosure obligations of the disclosing party hereunder.


Section 5.13 Counterparts.

This Agreement may be executed in any number of counterparts (including counterparts by facsimile and PDF) and all such counterparts taken together constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

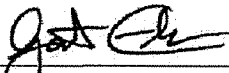
LYDIAN ARMENIA CJSC

By: 
Authorized Signing Officer

LYDIAN INTERNATIONAL LIMITED


By: 
Authorized Signing Officer

ORION CO IV (ED) LIMITED

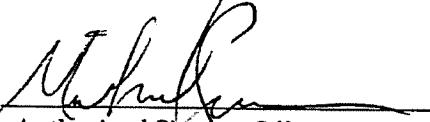
By: 

Authorized Signing Officer

RESOURCE CAPITAL FUND VI L.P.
By Resource Capital Associates VI L.P.,
General Partner
By RCA VI GP Ltd., General Partner

By: 
Authorized Signing Officer
Ross R. Bhappu, Partner

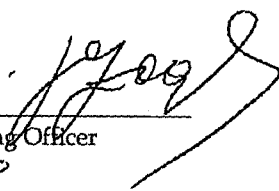
OSISKO BERMUDA LIMITED

By: 
Authorized Signing Officer

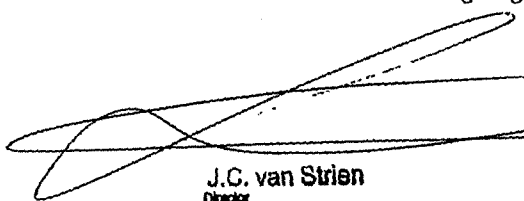
[Fourth A&R Forbearance Agreement]

ING BANK N.V.

By: _____
Authorized Signing Officer

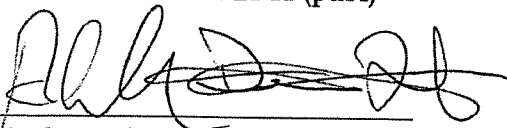


Julia Claassen
Director



J.C. van Strien
Director

AB SVENSK EXPORTKREDIT (publ)

By: 

Authorized Signing Officer

Per Edlundh
Director

David Lindström

Director

CATERPILLAR FINANCIAL
SERVICES (UK) LIMITED

By: *L. Mage*
Authorized Signing Officer

LAREN M. MAGE
NORTHERN EUROPE CREDIT MANAGER

AMERABANK CLOSED JOINT-
STOCK COMPANY

By _____
Authorized Signing Officer

*Corporate and Investment
Banking Director
Gagik Sahakyan*

EXHIBIT "A"
SPECIFIED EVENTS OF DEFAULT

Senior Credit Agreement

- the failure of Lydian Armenia to make principal and interest payments when due, contrary to Section 9.1.1 of the Senior Credit Agreement;
- breach of Sections 7.1.7, 7.7.1, 7.9.2 and 7.9.3 of the Senior Credit Agreement, contrary to Section 9.1.2 of the Senior Credit Agreement;
- occurrence and continuance of a Specified Event of Default under the Stream Agreement, to the extent it constitutes a "Seller Event of Default" as defined in the Stream Agreement, contrary to Section 9.1.6 of the Senior Credit Agreement;
- occurrence and continuance of a Specified Event of Default under a Financing Agreement, contrary to Section 9.1.5 and 9.1.19 of the Senior Credit Agreement;
- putting the Project on care and maintenance and suspending construction and development at the Project for greater than 3 months, contrary to Section 9.1.14 of the Senior Credit Agreement;
- failing to maintain mining operations, contrary to Section 9.1.16(i) of the Senior Credit Agreement;
- breach of the Financial Covenant (as defined in the Senior Credit Agreement) contrary to Section 9.1.20 of the Senior Credit Agreement; and
- failing to achieve commercial production by December 31, 2018 contrary to Section 9.1.21 of the Senior Credit Agreement.

Stream Agreement

- breach of Section 5.1 of the Stream Agreement, contrary to Section 11.1(c) of the Stream Agreement;
- the failure to meet the requirement in Section 11.1(l);
- occurrence and continuance of a Specified Event of Default under the Senior Credit Agreement, to the extent it constitutes a "Default" or "Event of Default", as such terms are defined under the Senior Credit Agreement, contrary to Section 11.1(p) of the Stream Agreement;
- putting the Project on care and maintenance and suspending construction and development at the Project for greater than 3 months, contrary to Section 11.1(s) of the Stream Agreement; and
- failing to achieve commercial production by December 31, 2018 contrary to Section 11.1(w) of the Stream Agreement.

CAT Agreement

- the failure of Lydian Armenia to make principal and interest payments when due, contrary to Section 8.1.1 of the CAT Agreement;
- breach of Sections 6.1.1, 6.1.4, 6.4, 6.5 and 6.6.1(b) of the CAT Agreement, contrary to Section 8.1.2 of the CAT Agreement;
- putting the Project on care and maintenance and suspending construction and development at the Project for greater than 3 months, contrary to Section 8.1.13 of the CAT Agreement;
- the failure to meet the requirements itemized in Section 8.1.15 of the CAT Agreement;

SEK Agreement

- the failure of Lydian Armenia to make principal and interest payments when due, contrary to Section 23.1 of the SEK Agreement;
- breach of Sections 21.2(a), 21.4(a), 21.5(a), 21.6(a), 21.6(b) and 22.28 contrary to Section 23.2 of the SEK Agreement;
- the failure of Lydian Armenia to comply with the Debt Service Coverage Ratio (as defined in the SEK Agreement) contrary to Section 23.18 of the SEK Agreement;
- the failure of Lydian Armenia to make principal and interest payments to Orion, RCF, and CAT, contrary to Section 23.4 of the SEK Agreement; and
- Lydian Armenia requesting the applicable Creditors to reschedule the principal and interest payments under the applicable Credit Document, contrary to Section 23.5(iv) of the SEK Agreement;

Ameriabank Agreement

- the failure of Lydian Armenia to make principal and interest payments to Ameriabank when due, contrary to Section 5.1.2.12 of the Ameriabank Agreement;
- contrary to Section 5.1.2.10 of the Ameriabank Agreement, commencement of the types of proceedings defined therein, unless such commencement will not cause any event described in section 5.1.2.8. of the Ameriabank Agreement; and
- breach of Section 5.4.10. of the Ameriabank Agreement by Lydian Armenia.

In respect of each of the Credit Documents, Specified Events of Default shall also include (i) any Defaults or Events of Default (or such similar term used under the Credit Documents) which have occurred solely and directly as a result of any audit report to the financial statements of Lydian being qualified in any material respect, or (ii) the

deterioration or impairment of any physical asset (including movable and immovable property) as a result of being denied access to such asset by virtue of the ongoing blockades at the Project.

EXHIBIT "B"
NOTICE DETAILS

Lydian Armenia CJSC	Lydian Armenia CJSC c/o Lydian International Limited Suite 3 5/6 Esplanade St. Helier, Jersey JE2 3QA Channel Island Attention: Bill Dean Email: bill.dean@Lydianinternational.co.uk
Lydian International Limited	Lydian International Limited Suite 3 5/6 Esplanade St. Helier, Jersey JE2 3QA Channel Island Attention: Bill Dean Email: bill.dean@Lydianinternational.co.uk
Orion Co IV (ED) Limited	Orion Co IV (ED) Limited c/o Maples Corporate Services (Bermuda) Limited Cumberland House 7 th Floor, 1 Victoria Street Hamilton, HM11 Bermuda Attention: General Counsel Email: notices@orionrp.com Facsimile: (212) 596-3489 with a copy to: Orion Resource Partners (USA) LP 7 Bryant Park 1045 Avenue of the Americas, Floor 25 New York, NY 10018 Attention: General Counsel Facsimile: (212) 596-3489 Email: notices@orionrp.com

<p>Resource Capital Fund VI L.P.</p>	<p>Resource Capital Fund VI L.P. 1400 Sixteenth St., Suite 200 Denver, CO 80202</p> <p>Attention: Mason Hills, General Counsel Facsimile: (720)-946-1450 E-mail: mhills@rcflp.com</p> <p>with a copy to (which shall not constitute notice):</p> <p>Blake, Cassels & Graydon LLP Three Bentall Centre 595 Burrard Street, P.O. Box 49314, Suite 2600 Vancouver, BC, Canada V7X 1L3</p> <p>Attention: Bob Wooder Facsimile: (604) 631-3309 E-mail: bob.wooder@blakes.com</p>
<p>Osisko Bermuda Limited</p>	<p>Osisko Bermuda Limited Cumberland House, 1 Victoria Street Hamilton HM 11 Bermuda</p> <p>Attention: Michael Spencer, Managing Director Facsimile: (441) 292-6140 E-mail: mspencer@osiskogr.com</p> <p>with a copy to:</p> <p>Osisko Bermuda Limited c/o Compass Administration Services Ltd. Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda</p> <p>Attention: Michael Spencer, Managing Director Facsimile: (441) 295-6566 Email: bermudaoperations@osiskogr.com</p>
<p>ING Bank N.V.</p>	<p>ING Bank N.V. AMP E 04 P.O. Box 1800, 1000 BV Amsterdam ZO The Netherlands</p> <p>Attention: Anna Rauhala Email: anna.rauhala@ing.com</p>

AB Svensk Exportkredit (publ)	Swedish Export Credit Corporation P.O. Box 194, SE-101 23 Stockholm, Sweden Attention: Per Edlundh, Director, Structured Finance & Corporate Lending E-mail per.edlundh@sek.se
Caterpillar Financial Services (UK) Limited	Caterpillar Financial Services (UK) Limited Friars Gate 1011 Stratford Road Shirley Solihull West Midlands, UK B90 4BN Attention: Karen Page, Credit Manager Email: karen.page@cat.com Facsimile: +44 1564 786409 with a copy to (which shall not constitute notice): Caterpillar Financial SARL Mühlebachstrasse 43 8008 Zurich Switzerland Attention: Paola Rammal, Portfolio Manager Email: Paola.Rammal@cat.com; structured.finance@cat.com; AgencyServices@cat.com Facsimile: +1 615 341 8580
Ameriabank Closed Joint-Stock Company	Ameriabank CJSC 2 Vazgen Sargsyan Street, Yerevan 0010, RA Attention: Gagik Sahakyan Facsimile: +37410 51 31 33 Email: g.sahakyan@ameriabank.am with a copy to (which shall not constitute notice): Ameriabank CJSC 2 Vazgen Sargsyan Street, Yerevan 0010, RA Attention Ani Papyan Facsimile: +37410 51 31 33 Email: a.papyan@ameriabank.am

EXHIBIT "C"
CASH FLOW FORECAST

See attached.

Schedule C - Cash Flow Forecast					Sept - Dec
\$USD	2019	2019	2019	2019	2019
Forecast Payment Date	Sept	Oct	Nov	Dec	Total
Receipts					
VAT Recoveries	1,200,000	-	-	-	1,200,000
Total Receipts	1,200,000	-	-	-	1,200,000
Disbursements					
<i>US Corporate Costs</i>					
Salaries & Benefits	(66,978)	(66,978)	(66,978)	(66,978)	(267,913)
Other	(28,619)	(58,619)	(28,619)	(28,619)	(144,475)
Total US Corporate Costs	(95,597)	(125,597)	(95,597)	(95,597)	(412,388)
<i>LTD Corporate Costs</i>					
Salaries & Benefits	(70,000)	(70,000)	(70,000)	(70,000)	(280,000)
Other	(183,497)	(120,247)	(120,247)	(1,158,497)	(1,582,488)
Total LTD Corporate Costs	(253,497)	(190,247)	(190,247)	(1,228,497)	(1,862,488)
<i>Armenia Costs</i>					
Geoteam Salaries	(252,725)	(179,692)	(179,692)	(179,692)	(791,802)
General	(182,310)	(312,877)	(193,277)	(152,477)	(840,940)
Indirect	(2,000)	(284,274)	(354,207)	(191,819)	(832,300)
Owners	(187,434)	(138,926)	129,193	(559,207)	(756,374)
Total Armenia Costs	(624,468)	(915,769)	(597,983)	(1,083,195)	(3,221,415)
Total Operating Disbursements	(973,562)	(1,231,613)	(883,827)	(2,407,289)	(5,496,291)
Net Oper. Cash Inflows / (Outflows)	226,438	(1,231,613)	(883,827)	(2,407,289)	(4,296,291)
<i>Other Activities</i>					
Other	(275,000)	-	(300,000)	(280,000)	(855,000)
Capital Expenditures	-	(236,143)	-	-	(236,143)
Professional Fees	(746,911)	(834,607)	(801,602)	(517,300)	(2,900,420)
KERP	-	-	-	(176,500)	(176,500)
Contingency	(75,000)	(75,000)	(75,000)	(75,000)	(300,000)
Total Other Activities	(1,096,911)	(1,145,750)	(1,176,602)	(1,048,800)	(4,468,064)
Debt Service Costs	(2,000,000)	-	-	-	(2,000,000)
Total Non-Operating Expenses	(3,096,911)	(1,145,750)	(1,176,602)	(1,048,800)	(6,468,064)
Net Cash Inflows / (Outflows)	(2,870,473)	(2,377,364)	(2,060,429)	(3,456,089)	(10,764,355)
Cash					
Available Cash (exclude DSR)					
Beginning Available Balance	4,247,756	1,377,283	3,499,919	3,939,490	4,247,756
Net Cash Inflows / (Outflows)	(2,870,473)	(2,377,364)	(2,060,429)	(3,456,089)	(10,764,355)
Financing Draws / (Repayments)	-	4,500,000	2,500,000	1,000,000	8,000,000
Ending Available Balance	1,377,283	3,499,919	3,939,490	1,483,401	1,483,401
Facility B Balance	10,557,846	15,057,846	17,557,846	18,557,846	18,557,846

Notes:

1. Facility B balance shown above is net of future OID.
2. Other costs above include CAT PRI insurance estimated by CAT to be \$300K payable in November. Amount could differ once invoice is rendered by insurer.

EXHIBIT "D"
INTERCREDITOR AGREEMENTS

See attached.

EXHIBIT "E"
COMBINED PROCESS TIMELINE

See attached.

Sep		Oct				Nov				Dec		
1	2	3	4	5	6	7	8	9	10	11	12	13
23-29	30-6	7-13	14-20	21-27	28-3	4-10	11-17	18-24	25-1	2-8	9-15	16-22

Outreach

Engage with potential bidders

Negotiate NDAs

43-101 report ready

Phase 1

VDR due diligence

Review of 43-101 report

Receipt of non-binding proposals (November 1)

Phase 2

Review and assess non-binding proposals

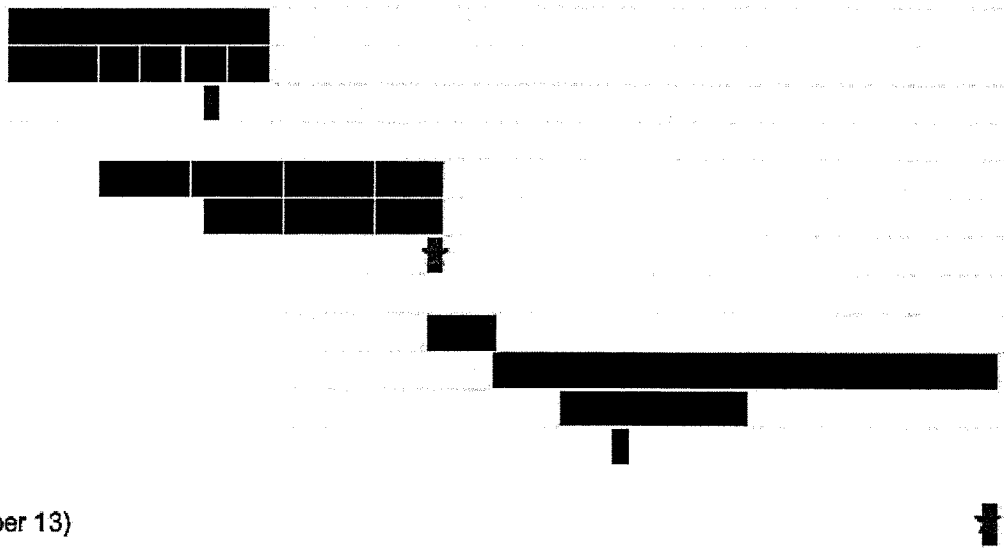
In-depth technical due diligence

Site visits

Provide draft transaction agreement to bidders

Binding Proposals

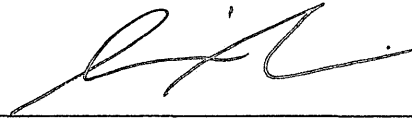
Receive final offers and mark-ups of transaction agreement (December 13)



Expressions of Interest will not be considered that are from Persons (as reasonably determined by Lydian) who (i) are in violation of, or have been charged under, anti-money laundering, anti-bribery and anti-corruption laws, and (ii) are sanctioned persons under any sanctions.

EXHIBIT "E"

*THIS IS EXHIBIT "E", referred to in the
Affidavit of EDWARD A. SELLERS,
sworn on December 22, 2019.*



Commissioner for Taking Affidavits



Freshfields Bruckhaus Deringer

Avocats à la Cour

By Courier

His Excellency Mr Nikol Pashinyan
Prime Minister of the Republic of Armenia
Republic Square
Government House 1
0010 Yerevan
Republic of Armenia

Paris

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Doc ID
PAR6411230

Our Ref
171256-0001 NDR

11 March 2019

Honourable Prime Minister:

We write in representation of Lydian U.K. Corporation Limited (United Kingdom) (*Lydian UK*) who, through its subsidiaries, owns Lydian Armenia CJSC (*Lydian Armenia*), an Armenian company (formerly Geoteam CJSC). Lydian Armenia holds the mining licence in relation to the Amulsar gold mine in south-central Armenia (the *Mine*). The ultimate parent entity of Lydian group is listed on the Toronto Stock Exchange.

Lydian UK is a protected investor with protected investments (including an indirectly held interest in Lydian Armenia, as recognised by international investment jurisprudence) under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Armenia for the Promotion and Protection of Investments, in force since 11 July 1996 (the *BIT*).

The Lydian group has been working in Armenia for over twelve years, and has over this time invested over US\$500 million in the country – the largest foreign investment in Armenian history. In particular, Lydian has spent more than US\$20 million investing in local communities and developing other social responsibility and environmental projects. This has included upgrading the local hospital in Vayk and music schools, kindergartens, a library and community centres in Jermuk and Kechut, creating a nature reserve and helping local businesses. Moreover, Lydian Armenia and its contractors have employed over 400 local residents.

However, as a result of the unlawful conduct of a number of organs of the Armenian State, we are compelled to notify you of an investment dispute (the *Dispute*) that has arisen between Armenia and Lydian UK under the BIT.

Background

Lydian started investing in Armenia in 2006, when Lydian Armenia (then Geoteam) was

first awarded an exploration licence. Lydian Armenia obtained its mineral mining permit in relation to the Mine in 2009, and entered into a mining agreement with the Armenian Government on 26 September 2012 (the *Mining Agreement*). Lydian Armenia conducted all required environmental impact assessments and studies before obtaining the licence, and has continued to comply with related requirements since work began in Armenia. In particular, Lydian, in accordance with Armenian law requirements, received approvals of its environmental impact assessment (the *EIA*) from the Armenian Government on 12 March 2012 and 31 July 2012, prior to the conclusion of the Mining Agreement. Lydian made its investments in Armenia in reliance on the assurances by the Armenian Government that it met all applicable environmental standards, as well as based on its rights set out in the licence and in the Mining Agreement, and it reasonably expected that such standards would not be unilaterally, subjectively and retroactively altered.

Further, while this is not required by Armenian law, Lydian carried out an environmental and social impact assessment of the project in accordance with international best practices, which was published on 28 May 2015.

Additionally, the project was reviewed by a number of independent environmental and social consultants engaged by Lydian and its lenders, who confirmed that the project complied with international good practice.

After over 12 years of exploration, development and construction, the Mine was expected to become operational in the fourth quarter of 2018. However, following the change of government in May 2018, Lydian has been the victim of an ongoing politically motivated campaign, which has prevented it from developing the Mine and has threatened the existence and value of its investment.

Since June 2018, road access to the Mine has been unlawfully blocked by protestors, who have been seeking to prevent development of the Mine. Despite repeated complaints, the Armenian police has failed to take action required by Armenian law and refused to ensure access by Lydian employees to the Mine to resume construction and associated work. The Armenian police has also been incapable of preventing attacks by protestors on Lydian Armenia's employees, as well as trespass on the territory of the Mine and theft from its premises. As a result, Lydian Armenia's employees have been unable to return to work. Lydian Armenia's inability to resume construction works at the Mine has also caused it to incur significant losses due to the delay in the completion of the project and forced it to lay off more than 1300 employees.

Although Lydian Armenia was initially granted limited access to the Mine for winterisation purposes, the protestors have now blocked access which is required for the continued care and maintenance of equipment. The value of the property and equipment on site is diminishing, and various reagents, chemicals and other materials stored by Lydian Armenia at the Mine are now exceeding their use by dates.

Furthermore, between July and August 2018 the Armenian Government conducted an arbitrary and biased environmental audit at the Mine. It was led by the then head of the Environmental and Mining Inspection Department, Mr Artur Grigoryan, who has publicly expressed negative views against Lydian and the Mine. The outcome of the audit was predetermined. Although the audit identified no significant environmental concerns, Mr

Grigoryan adopted Resolution № 30-A dated 27 August 2018 ordering Lydian Armenia to stop all work at the Mine pending a new expert review by the Ministry of Nature Protection. The cited reason for the suspension was the alleged discovery of protected species of plants and animals in the Amulsar area. In fact, a task group commissioned by the Ministry of Nature Protection subsequently confirmed that the Amulsar area is not the natural habitat of the species in question. Despite this, Resolution № 30-A has not been revoked and Mr Grigoryan dismissed Lydian Armenia's appeal against the resolution. Lydian Armenia has pursued a further appeal of this decision, which is arbitrary and baseless.

In addition, the Armenian Government informed Lydian in September 2018 that it was concerned about the impact of the Mine on Lake Sevan and other water systems around the Mine. It subsequently announced that it would be commissioning a new study to address such concerns about water and that Lydian Armenia's work at the Mine should be suspended pending the outcome of the study. This is despite the fact that the impact of the Mine on water systems had been assessed as part of the 2012 EIA, which had been approved by the Armenian Government at that time. Furthermore, the Armenian Government has significantly and arbitrarily expanded the scope of the study from merely a water audit to an audit including *all* of the matters covered by the 2012 EIA. There is no legal basis for this study, which seeks to revise the environmental approvals granted to Lydian in full compliance with Armenian law in force at the time.

Finally, the Department for the Protection of State Interests of the Prosecutor General's Office has commenced a criminal investigation in relation to the alleged breach by Lydian Armenia of the terms of the Mining Agreement. Again, this investigation is baseless; even on the Government's case, the damages supposedly caused by Lydian Armenia's alleged breach do not rise to the threshold of a criminal matter under Armenian law.

These actions and omissions form part of an ongoing campaign by the Armenian Government targeting Lydian's investments in Armenia. They are unlawful as a matter of Armenian law and contrary to Armenia's undertakings under the Mining Agreement.

Breaches of the BIT

Armenia's actions and omissions, as outlined above, violate Armenia's obligations to Lydian UK under the BIT, and under international law, including but not limited to Armenia's obligations under the BIT:

- (a) to accord at all times to investments of UK investors fair and equitable treatment (Article 2(2) of the BIT);
- (b) not to impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments by UK investors (Article 2(2) of the BIT);
- (c) to accord at all times full protection and security to investments of UK investors (Article 2(2) of the BIT); and
- (d) to observe any obligation it may have entered into with regard to investments of UK investors (Article 2(2) of the BIT).

The actions described above, for which Armenia is responsible under international law, have caused Lydian UK to suffer significant economic loss and damage in respect of its investment in Armenia.

Should Armenia take any further measures impeding Lydian UK's investment, these will constitute additional breaches of the Treaty.

Notice of Dispute under the BIT

Article 8 of the BIT provides that any dispute between Armenia and a UK investor in relation to the latter's investment shall, as far as possible, be settled amicably through negotiations. In the event that the dispute is not resolved within three months from the time one party notifies the other of its existence, the investor may submit the dispute to international arbitration at the International Centre for the Settlement of Investment Disputes (*ICSID*).

Consequently, Lydian UK hereby notifies Armenia of the commencement of the negotiation period provided for in the BIT, and of its right, in the event that the dispute is not amicably resolved through negotiations in this period, to refer the dispute to ICSID arbitration.

Lydian UK sincerely hopes that the present dispute can be resolved amicably, as contemplated in the BIT. To this end, Lydian UK and its representatives are available to meet with senior representatives of the Armenian Government with a view to establishing a constructive dialogue to find a mutually acceptable solution to the dispute.

Nothing in this letter should be interpreted as a limitation of the factual or legal bases on which Lydian UK might rely, or the legal rights and remedies it may pursue, before an arbitral tribunal or otherwise. Lydian UK fully reserves all rights and remedies in respect of this dispute under Armenian and international law, in particular the BIT.

We look forward to hearing from you in relation to this matter and remain available to discuss these issues with an authorised representative of the Armenian Government at your earliest convenience.

Yours faithfully

Freshfields Bruckhaus Deringer LLP

Freshfields Bruckhaus Deringer LLP

With copy to:

Deputy Prime Minister Tigran Avinyan

Deputy Prime Minister Mher Grigoryan

Ministry of Foreign Affairs: Minister Zohrab Mnatsakanyan

Ministry of Economic Development and Investments: Minister Tigran Khachatryan

Ministry of Energy Infrastructures and Natural Resources: First Deputy Minister Garegin Baghramyan

Ministry of Nature Protection: Minister Erik Grigoryan

Ministry of Territorial Administration and Development: Minister Suren Papikyan



Freshfields Bruckhaus Deringer

Avocats à la Cour

By Courier

His Excellency Mr Nikol Pashinyan
Prime Minister of the Republic of Armenia
Republic Square
Government House 1
0010 Yerevan
Republic of Armenia

Paris

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www.freshfields.com

Doc ID
PAR6411235

Our Ref
171256-0001 NDR

11 March 2019

Honourable Prime Minister:

We write in representation of Lydian Canada Ventures Corporation (Canada) (*Lydian Canada*) as the owner of Lydian Armenia CJSC (*Lydian Armenia*), an Armenian company (formerly Geoteam CJSC), through its 100% shareholding of Lydian U.K. Corporation Limited (United Kingdom) and its subsidiaries. Lydian Armenia holds the mining licence in relation to the Amulsar gold mine in south-central Armenia (the *Mine*). The ultimate parent entity of Lydian group is listed on the Toronto Stock Exchange.

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Grigoryan adopted Resolution № 30-A dated 27 August 2018 ordering Lydian Armenia to stop all work at the Mine pending a new expert review by the Ministry of Nature Protection. The cited reason for the suspension was the alleged discovery of protected species of plants and animals in the Amulsar area. In fact, a task group commissioned by the Ministry of Nature Protection subsequently confirmed that the Amulsar area is not the natural habitat of the species in question. Despite this, Resolution № 30-A has not been revoked and Mr Grigoryan dismissed Lydian Armenia's appeal against the resolution. Lydian Armenia has pursued a further appeal of this decision, which is arbitrary and baseless.

In addition, the Armenian Government informed Lydian in September 2018 that it was concerned about the impact of the Mine on Lake Sevan and other water systems around the Mine. It subsequently announced that it would be commissioning a new study to address such concerns about water and that Lydian Armenia's work at the Mine should be suspended pending the outcome of the study. This is despite the fact that the impact of the Mine on water systems had been assessed as part of the 2012 EIA, which had been approved by the Armenian Government at that time. Furthermore, the Armenian Government has significantly and arbitrarily expanded the scope of the study from merely a water audit to an audit including *all* of the matters covered by the 2012 EIA. There is no legal basis for this study, which seeks to revise the environmental approvals granted to Lydian in full compliance with Armenian law in force at the time.

Finally, the Department for the Protection of State Interests of the Prosecutor General's Office has commenced a criminal investigation in relation to the alleged breach by Lydian Armenia of the terms of the Mining Agreement. Again, this investigation is baseless; even on the Government's case, the damages supposedly caused by Lydian Armenia's alleged breach do not rise to the threshold of a criminal matter under Armenian law.

These actions and omissions form part of an ongoing campaign by the Armenian Government targeting Lydian's investments in Armenia. They are unlawful as a matter of Armenian law and contrary to Armenia's undertakings under the Mining Agreement.

Breaches of the BIT

Armenia's actions and omissions, as outlined above, violate Armenia's obligations to Lydian Canada under the BIT, and under international law, including but not limited to Armenia's obligations under the BIT:

- (a) to accord at all times to investments of Canadian investors fair and equitable treatment (Article II(2)(a) of the BIT);
- (b) not to impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments by Canadian investors, based on Armenia's obligation not to treat Canadian investors less favourably than foreign investors of any third party state (Article 3(1)-(2) of the BIT), such as UK investors under Article 2(2) of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Armenia for the Promotion and Protection of Investments, in force since 11 July 1996 (the *UK BIT*);

- (c) to accord at all times full protection and security to investments of Canadian investors (Article II(2)(b) of the BIT); and
- (d) to observe any obligation it may have entered into with regard to investments of Canadian investors, based on Armenia's obligation not to treat Canadian investors less favourably than foreign investors of any third party state (Article 3(1)-(2) of the BIT), such as UK investors under Article 2(2) of the UK BIT.

The actions described above, for which Armenia is responsible under international law, have caused Lydian Canada to suffer significant economic loss and damage in respect of its investment in Armenia.

Should Armenia take any further measures impeding Lydian Canada's investment, these will constitute additional breaches of the Treaty.

Notice of Dispute under the BIT

Article 13 of the BIT provides that any dispute between Armenia and a Canadian investor in relation to the latter's investment shall, as far as possible, be settled amicably through negotiations. In the event that the dispute is not resolved within six months from the time one party notifies the other of its existence, the investor may submit the dispute to international arbitration at the International Centre for the Settlement of Investment Disputes (*ICSID*).

Consequently, Lydian Canada hereby notifies Armenia of the commencement of the negotiation period provided for in the BIT, and of its right, in the event that the dispute is not amicably resolved through negotiations in this period, to refer the dispute to ICSID arbitration.

Lydian Canada sincerely hopes that the present dispute can be resolved amicably, as contemplated in the BIT. To this end, Lydian Canada and its representatives are available to meet with senior representatives of the Armenian Government with a view to establishing a constructive dialogue to find a mutually acceptable solution to the dispute.

Nothing in this letter should be interpreted as a limitation of the factual or legal bases on which Lydian Canada might rely, or the legal rights and remedies they may pursue, before an arbitral tribunal or otherwise. Lydian Canada fully reserves all rights and remedies in respect of this dispute under Armenian and international law, in particular the BIT.

We look forward to hearing from you in relation to this matter and remain available to discuss these issues with an authorised representative of the Armenian Government at your earliest convenience.

Yours faithfully

Freshfields Bruckhaus Deringer LLP

Freshfields Bruckhaus Deringer LLP

With copy to:

Deputy Prime Minister Tigran Avinyan

Deputy Prime Minister Mher Grigoryan

Ministry of Foreign Affairs: Minister Zohrab Mnatsakanyan

Ministry of Economic Development and Investments: Minister Tigran Khachatryan

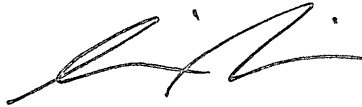
Ministry of Energy Infrastructures and Natural Resources: First Deputy Minister Garegin Baghramyan

Ministry of Nature Protection: Minister Erik Grigoryan

Ministry of Territorial Administration and Development: Minister Suren Papikyan

EXHIBIT “F”

THIS IS EXHIBIT "F", referred to in the Affidavit of EDWARD A. SELLERS, sworn on December 22, 2019.



Commissioner for Taking Affidavits



LYDIAN INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

Contents

Company Particulars	1
Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3-5
Consolidated Statements of Financial Position	6
Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss).....	7
Consolidated Statements of Cashflows	8
Consolidated Statements of Changes in Equity	9
Notes to the Consolidated Financial Statements	10-39

LYDIAN INTERNATIONAL LIMITED

COMPANY PARTICULARS

DIRECTORS

Mr. Russell Ball, Non-Executive Director and Chairman of the Board

Mr. Willan Abel, Non-Executive Director

Mr. Stephen J. Altmann, Non-Executive Director

Dr. Gillian Davidson, Non-Executive Director

Mr. Eugene Davis, Non-Executive Director

Mr. Timothy Read, Non-Executive Director

Mr. Edward Sellers, Non-Executive Director

Mr. João Carrêlo, Director

OFFICERS

Mr. João Carrêlo, President and Chief Executive Officer

Mr. Douglas Tobler, Chief Financial Officer

Mr. Andrew Kaczmarek, Chief Operating Officer

REGISTERED OFFICE

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St Helier, Jersey, JE2 4QE

Channel Islands

Tel: +44 1534 747 890

AUDITORS

Grant Thornton LLP

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Toronto, Ontario, M5H 3T4

Canada

LEGAL COUNSEL

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5300 Commerce Court West

199 Bay Street

Toronto, Ontario M5L 1B9

Canada

Freshfields Bruckhaus Deringer LLP

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75008 Paris

France

LYDIAN INTERNATIONAL LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, notes thereto, and other information in Management's Discussion and Analysis of Lydian International Limited and its subsidiaries (the "Company"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgments and policies that it believes appropriate in the circumstances.

The Company maintains a system of internal accounting controls that provides, on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Company's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of four directors, all of whom are independent, and meets periodically with Management and the external auditors to review accounting, auditing, internal control, and financial reporting matters.

The consolidated financial statements have been audited by Grant Thornton LLP, Chartered Professional Accountants, Licensed Public Accountants who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

"João Paulo Simões Carrêlo" (signed)

João Paulo Simões Carrêlo
President and Chief Executive Officer

"Douglas Tobler" (signed)

Douglas Tobler
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lydian International Limited

Opinion

We have audited the consolidated financial statements of Lydian International Limited ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and December 31, 2017, and the consolidated statements of profit (loss) and comprehensive profit (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the illegal road blockades caused the construction activities to be suspended since June 22, 2018. These events have substantially restricted access to capital and caused conditions to occur that may be deemed events of default by the Company's senior lenders, stream financing providers and equipment financiers. The Company has entered into forbearance agreements with these parties and continuation as a going concern is dependent upon continuation of funding under these agreements. As stated in Note 1 in the consolidated financial statements, these events or conditions, along with the matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Signed "Grant Thornton LLP"

Toronto, Canada
March 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of US Dollars)

		As of	
	Notes	December 31, 2018	December 31, 2017
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 3,386	\$ 53,937
Restricted cash	5	1,029	636
Other current assets	6	14,011	1,391
Total current assets		<u>18,426</u>	<u>55,964</u>
<i>Non-current assets</i>			
Mineral property, plant and equipment, net	7	355,833	360,789
Deferred financing costs	8	-	12,054
Other non-current assets	9	25,284	38,176
Total non-current assets		<u>381,117</u>	<u>411,019</u>
TOTAL ASSETS		<u>\$ 399,543</u>	<u>\$ 466,983</u>
LIABILITIES			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	10	\$ 4,533	\$ 37,466
Stream liability and debt	11	297,030	15,684
Derivative liabilities	12	30,324	-
Total current liabilities		<u>331,887</u>	<u>53,150</u>
<i>Non-current liabilities</i>			
Stream liability and debt	11	-	173,030
Provisions	13	8,137	8,086
Deferred VAT payable		14,051	13,661
Derivative liabilities	12	-	39,429
Total liabilities		<u>354,075</u>	<u>287,356</u>
EQUITY			
Share capital	14	284,924	283,594
Employee share-based plan reserves		4,769	4,223
Translation of foreign operations		(18,479)	(18,528)
Accumulated deficit		(225,746)	(89,662)
Total equity		<u>45,468</u>	<u>179,627</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 399,543</u>	<u>\$ 466,983</u>
Going concern	1		
Commitments	25		
Contingencies	26		
Subsequent events	27		

On behalf of the Board of Directors:

"Russell Ball" (signed)
Russell Ball, Chairman of the Board

"Timothy Read" (signed)
Timothy Read, Chairman of the Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED**CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)**

(expressed in thousands of US Dollars)

		For the year ended December 31,	
	Notes	2018	2017
Interest income		\$ 411	\$ 593
Total income		<u>411</u>	<u>593</u>
Blockade expense	16	42,027	-
Employee salaries and benefits expense	17	5,132	4,285
General and administrative expense	18	3,483	3,242
Depreciation and amortization expense		33	8
(Gain) loss on financial instruments fair value	12	(8,606)	18,281
Impairment of development asset	19	92,700	-
Other expense (income), net	20	1,726	(1,097)
Total expense		<u>136,495</u>	<u>24,719</u>
Loss before income taxes		(136,084)	(24,126)
Income taxes	21	-	27
Net loss		<u>\$ (136,084)</u>	<u>\$ (24,153)</u>
Net loss per share - basic and diluted	22	<u>\$ (0.18)</u>	<u>\$ (0.03)</u>
Other comprehensive loss:			
Net loss		\$ (136,084)	\$ (24,153)
Other comprehensive profit (loss):			
Currency translation adjustment		49	(56)
Total comprehensive loss		<u>\$ (136,035)</u>	<u>\$ (24,209)</u>

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of US Dollars)

	Notes	For the year ended December 31,	
		2018	2017
Cash from operating activities			
Net loss		\$ (136,084)	\$ (24,153)
<i>Adjustments for:</i>			
Interest and other financing costs	11	21,869	-
(Gain) loss on financial instruments at fair value, net	12	(8,606)	18,281
Share-based compensation	15	1,235	958
Impairment of development asset	19	92,700	-
Other operating write downs	20	1,454	-
Depreciation expense		3,270	8
Interest income		(411)	(593)
Other		65	(1,111)
<i>Working capital changes:</i>			
Change in other current assets		(241)	105
Change in accounts payable and accrued liabilities		1,565	241
Cash used in operations		(23,184)	(6,264)
Cash flows from investing activities			
Acquisition of mineral property, plant and equipment		(111,360)	(194,958)
Change in other non-current assets		(27)	(15,470)
Interest income received		411	593
Other		29	-
Cash used in investing activities		(110,947)	(209,835)
Cash flows from financing activities			
Proceeds from borrowings		95,452	122,851
Financing costs		(4,226)	(13,033)
Debt repayments		(7,079)	-
Proceeds from issuance of share capital		-	14,499
(Increase) decrease in restricted cash		(421)	8,442
Other		-	(1,013)
Cash provided by financing activities		83,726	131,746
Net decrease in cash and cash equivalents		(50,405)	(84,353)
Foreign exchange effect on cash		(146)	1,094
Cash and cash equivalents, beginning of year		53,937	137,196
Cash and cash equivalents, end of year		\$ 3,386	\$ 53,937
Supplemental cash flow information			
Interest paid		\$ 4,492	\$ 1,096
Income taxes paid		\$ 17	\$ 20

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in thousands of US Dollars)

	Reserves					Total
	Share Capital	Employee share option plan reserve	Restricted stock unit plan reserve	Translation of foreign operations	Accumulated deficit	
Balance as of December 31, 2016	\$ 268,608	\$ 2,625	\$ 669	\$ (18,472)	\$ (65,509)	\$ 187,921
Issue of shares for warrant exercise	14,499	-	-	-	-	14,499
Issue of new shares	418	-	(418)	-	-	-
Share based compensation	-	79	1,337	-	-	1,416
Attributable to expired options	69	(69)	-	-	-	-
Loss for the year	-	-	-	(56)	(24,153)	(24,209)
Balance as of December 31, 2017	<u>\$ 283,594</u>	<u>\$ 2,635</u>	<u>\$ 1,588</u>	<u>\$ (18,528)</u>	<u>\$ (89,662)</u>	<u>\$ 179,627</u>
Issue of new shares	\$ 1,265	\$ -	\$ (1,265)	\$ -	\$ -	\$ -
Share based compensation	-	16	1,860	-	-	1,876
Attributable to expired options	65	(65)	-	-	-	-
Profit (loss) for the year	-	-	-	49	(136,084)	(136,035)
Balance as of December 31, 2018	<u>\$ 284,924</u>	<u>\$ 2,586</u>	<u>\$ 2,183</u>	<u>\$ (18,479)</u>	<u>\$ (225,746)</u>	<u>\$ 45,468</u>

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL INFORMATION AND GOING CONCERN

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, Francis Street, St Heller, Jersey JE2 4QE Channel Islands. Lydian's ordinary shares ("Ordinary Shares") are listed on the Toronto Stock Exchange ("TSX") and began trading under the symbol LYD on January 10, 2008. Certain warrants ("Public Offering - Warrants") began trading under the symbol LYD.WT on May 26, 2016 and ceased trading following expiration on November 27, 2017.

Lydian, together with its subsidiaries (the "Company"), is a gold development company, focusing on construction at its 100%-owned Amulsar Gold Project ("Amulsar"), located in south-central Armenia. Development at Amulsar is being conducted under the Mining Right ("Mining Right") issued by the Republic of Armenia in May 2016. Construction has been suspended due to actions and inactions of the Government of Armenia that, among other things, have permitted illegal blockades and prevented access to Amulsar since June 2018.

In conducting development activities in Armenia, the Company is subject to considerations and risks not typically associated with companies operating in Jersey, the United Kingdom, or Canada. These include but are not limited to risks such as non-enforcement of the rule of law, political, economic, and legal environments in emerging markets. The Company's results and prospects have been and continue to be adversely affected by changes in political and social conditions and adverse governmental policies specific to Lydian, mining laws and regulations, currency conversion, remittance abroad, rates and methods of taxation, and other factors.

These consolidated financial statements were prepared on a going concern basis that assumes the Company continues and will be able to realize its assets and discharge its liabilities in the normal course of business. Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Gold Project. A continuous illegal blockade at Amulsar has been in place since June 22, 2018, causing construction activities to be suspended since this date. Access has generally been limited to activities related to contractor demobilization and winterization. The Government of Armenia has not enforced the rule of law to remove the illegal blockades at Amulsar and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has taken certain actions and failed to act on other matters. As a result, the Company incurred \$42.0 million of blockade-related expenses during 2018. Such costs continue to be incurred and additional costs will be required to restart construction should access be restored. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by the senior lenders, stream financing providers, and equipment financiers. As a result, the Company entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers.

The Company's ability to continue as a going concern is dependent upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. It will also be necessary for the Company to continue to receive forbearance under the A&R Forbearance Agreement and funding under the Thirteenth Amending Agreement. Thereafter, the Company will be dependent upon the resumption of construction once the illegal blockades are removed, the Company's ability to successfully

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

fund its cash obligations from external sources until construction is complete, and sufficient cash flows from operations being generated. Alternatively, sufficient funding will be required until a strategic alternative can be arranged, if at all.

While the Company has entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers, as a result of the actions and inactions of the Government of Armenia there is no assurance that the Company will be able to meet its obligations under the applicable credit or loan agreements with its senior lenders, stream financing providers, and equipment financiers and that the Company will avoid further events of default as contemplated under such agreements. There is a risk that the Company may not be able to receive forbearance from the same parties under the A&R Forbearance Agreement and as a result there is a risk that the Company will be in default under its agreements with its senior lenders, stream financing providers, and equipment financiers. During this forbearance period, Lydian will continue to engage with its lenders and stream financing providers to address the issues resulting from the illegal blockades while at the same time evaluating a range of strategic, financing, and legal alternatives.

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the A&R Forbearance Agreement, as a result of the actions and inactions of the Government of Armenia there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations or find an acceptable strategic alternative. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write downs of the carrying values of certain assets.

2. BASIS OF PRESENTATION, CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION UNCERTAINTIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, effective as of December 31, 2018, and interpretations of the International Financial Reporting Interpretations Committee.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as discussed in Note 12. All amounts are presented in thousands of US Dollars unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company is exposed to variable returns and can affect those returns through power to direct the relevant activities. All intercompany transactions and balances are eliminated in full upon consolidation.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Details of the Company's direct and indirect subsidiaries as of December 31, 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation or registration	Functional currency	Effective ownership interest	Principal activity
Lydian International Limited	Jersey	USD	100%	Intermediate holding company
Lydian Canada Corp.	Canada	USD	100%	Intermediate holding company
Lydian U.K. Corp.	United Kingdom	USD	100%	Intermediate holding company
Lydian U.S. Corporation	U.S.A.	USD	100%	Management company
Lydian International Holdings Ltd.	British Virgin Islands	USD	100%	Intermediate holding company
Lydian Resources Kosovo	British Virgin Islands	CAD	100%	Intermediate holding company
Lydian Resources Armenia	British Virgin Islands	USD	100%	Intermediate holding company
Lydian Armenia CJSC	Republic of Armenia	USD	100%	Mineral exploration and development
Lydian Resources Georgia Limited	Jersey	CAD	100%	Intermediate holding company
Georgian Resource Company LLC	Georgia	GEL	100%	Mineral exploration
Kavkaz Zoloto CJSC	Armenia	AMD	95%	Dormant company

Critical accounting estimates and judgments

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of certain assets, liabilities, equity, income and expenses in instances when valuation is not readily apparent from other sources. These judgments, estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

Certain events and transactions occurring during the years ended December 31, 2018 and 2017, required management to apply significant judgments or required the use of estimates, including:

Recovery of development assets and other long-lived assets – Management's review of impairment indicators included consideration of external and internal sources of information, including factors such as market, geopolitical and economic conditions, metal prices and forecasts, commercial viability, technical feasibility, and availability of permits.

The application of the Company's accounting policy for assessing impairment of development assets requires judgment. This includes the amount and timing of cash flows, reflecting estimates such as minable ore, additional mineral resources not included in minable ore, gold and silver prices, metal recovery rates, capital costs, operating costs, royalty and tax burdens, and the discount rate applied to future cash flows. Such estimates by management have not been reviewed by qualified persons as defined by NI 43-101. Each of these considerations and judgments applied by management in completing the impairment assessments represent key sources of estimation uncertainty.

Fair value of financial instruments – Fair value of financial instruments that are not traded on an active market and embedded derivatives are determined using alternative valuation techniques.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The Company entered into several financing agreements (the "Agreements") that contained provisions giving rise to financial derivatives. These derivatives are accounted for at fair value and marked to market each reporting period thereafter. In determining fair value, management's judgment is required in respect of input variables of the financial model used for estimation purposes. These variables include such inputs as the Company's stock prices, stock price volatility, trading volumes of its warrants, risk-free rates of return, the credit-risk-premium, LIBOR terms and associated rates, availability of alternative financing, gold and silver price forward curves, gold and silver price volatilities, timing of future production, timing of draws upon financing facilities, timing of repayments of financing facilities, expected future LIBOR rates, timing of achieving commercial production, availability of positive cash flows from operations, and other factors. Management uses its judgment to select from a variety of valuation methods and utilizes assumptions deemed to be reflective of conditions at the end of each reporting period.

Asset retirement obligation – The Company's calculation of rehabilitation and closure provisions relies on estimates of costs required to rehabilitate and restore land to appropriate post-operation condition. Key assumptions are reviewed regularly and adjusted to reflect current assumptions used to calculate these estimates. Significant judgment is required in determining the provision for mine closure and rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development and operating activity, changes in technology, price, and inflation rate, and interest rate changes.

Deferred Taxes – Until such time as the Company has certainty as to future profits, deferred tax assets and liabilities are not recognized.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. ACCOUNTING POLICIES

The accounting policies adopted, other than policies associated with changes in circumstances, are consistent with those of the previous financial year.

Foreign currency

The individual financial statements of each entity of the Company are prepared in the currency of the primary economic environment in which the entity operates (its "functional currency"). The consolidated financial statements are expressed in US Dollars, which is the presentation currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities which are denominated in foreign currencies are retranslated at rates prevailing at the reporting date and are recognized in the Consolidated Profit and Loss in the period in which they arise.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, at banks and other highly liquid short-term instruments with initial maturities of 90 days or less.

Restricted cash

Cash subject to restrictions that prevent its immediate use for general purposes is excluded from cash and cash equivalents. Restricted cash is separately reported as current or non-current depending on the expected disposition of the use restrictions.

Financial instruments (assets)

The Company's financial assets include:

- Cash and cash equivalents, restricted cash that are initially recorded at fair value and are subsequently measured at amortized cost;
- Receivables that are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses, and;
- Derivative assets that are originally recorded at fair value and subsequently remeasured at fair value with changes recorded through profit and loss.

Financial instruments (liabilities)

The Company's financial liabilities include:

- Accounts payable and accrued liabilities which are initially recorded at fair value and carried at amortized cost;
- Stream and debt which are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost using the effective interest method, and;
- Derivative liabilities which are originally recorded at fair value and subsequently remeasured at fair value with changes recorded through profit and loss.

The Company classifies financing arrangements giving consideration to cash flow characteristics, contractual terms and relevant business objectives. Financing arrangements are classified as a financial liability when all or a significant portion of the commitment can be settled in cash and, in management's judgment, other considerations are insufficient to support an alternative accounting method.

Derivatives, other than those deemed to be swaps, are accounted for at fair value on the inception date. Swap derivatives have a zero-fair value at inception as the strike price of the underlying variable will be equal to the market price. After inception, all derivatives are adjusted to fair value as of the financial statement date, with the amount of adjustment being recognized currently as a gain or loss in the statement of profit and loss.

Financing costs

Costs incurred for debt and equity arrangements are recorded as financing costs. Such costs include legal and accounting fees, fees from independent engineers, printing costs, investment banker or registration fees, agency fees, arrangement fees, and the fair value of derivatives resulting from such debt and equity arrangements. As proceeds from financing transactions are received, the associated costs are allocated to and reclassified against such financing arrangements. Financing costs associated with debt are expensed over time as interest expense using the effective interest rate method, unless capitalized during

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

construction period. In the event that a financing effort is abandoned, or unsuccessful, allocable financing costs are charged to expense.

Refundable Value Added Tax

Value added tax is paid to the Armenian government for the provision of certain goods and services. Refundable value added tax is recoverable at the time of export sale or earlier through certain legislated provisions. The Company classifies refundable VAT as a current asset if the refund has been applied for and accepted by the government, all other refundable VAT is presented as a long-term asset.

Deferred Value Added Tax

Value added tax associated with import of certain equipment can be deferred for up to three years based on the Armenian regulation. On import, the Company records a long-term VAT receivable and a long-term VAT payable as the timing of the recoverability and payment are different. Subsequently, amounts are presented as current if the amount recoverable or due within one year from the reporting date.

Exploration and evaluation assets

Exploration and evaluation expenditures comprise costs incurred directly in exploration and evaluation, as well as the cost of mineral licenses. Such costs are capitalized as exploration and evaluation assets subsequent to acquisition of the licenses and pending determination of the feasibility of the project and an affirmative construction decision by the Company.

Development costs

Expenditures are considered to be development costs when the work completed supports the future development of the property through the issuance of a technical report, in accordance with NI 43-101, and such development decision receives appropriate Board approvals. In addition to economic viability, the Board also considers the ability to obtain commercial financing and the Company's ability to execute within time and cost limitations. The Company's Amulsar Gold Project is a development asset.

Development costs are capitalized and include costs directly related to bringing the mine to production. Development costs include:

- costs of exploration reclassified to development once economic recoverability is demonstrable and development is approved by the Board;
- environmental assessment and permitting costs;
- costs to acquire surface rights;
- construction in progress, including advances to contractors;
- asset restoration and rehabilitation costs;
- interest costs; and
- other costs directly associated with mine development.

Costs incurred during long periods of work stoppage are expensed as incurred, unless such costs provide a direct benefit toward project development. As assets are placed in service, costs are transferred to plant and equipment.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Restoration and reclamation

Provisions for reclamation and closure cost obligations represent management's best estimate of the present value of the future expenditures required to settle the obligation which reflects estimates of future costs, inflation rates, changes in foreign exchange rates and assumptions of risks associated with the future expenditures, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Changes in the above factors can result in a change to the provision being recognized. An asset retirement obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation or development. Costs are estimated on the basis of a closure plan and are subject to periodic review. Decommissioning and site reclamation costs are discounted to present value when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs will be charged through depreciation and/or depletion of the asset and unwinding of the discount on the provision.

Capitalized interest

Interest costs are capitalized for assets that require a significant amount of time to prepare for their intended use, which includes the Amulsar Gold Project. Capitalization ceases when the asset is available for use in the manner intended by management, or if active development is suspended. The amounts capitalized represents the borrowing costs specific to those borrowings used to finance construction of the Amulsar Gold Project.

Impairment of development assets

The Company reviews and evaluates the carrying value of its development assets for impairment when events or changes in circumstances create indicators that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. Furthermore, management's estimates of many of the factors relevant to completing this assessment, including gold and silver prices, foreign currency exchange rates, interest rates, mineral resources and mineral reserves, recovery rates, capital and operating costs and reclamation costs, also involve significant judgement and are subject to risks and uncertainties that may further affect the determination of the recoverability of the carrying amount.

If any such indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the recoverable amounts of the Company's development assets, the Company uses the fair value less costs to sell approach until such time as a value in use can be determined. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. When there is no binding sales agreement, fair value less costs to sell is estimated as the discounted future pre-tax, post royalty cash flows expected to be derived from the asset, less an amount for costs to sell estimated based on similar transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. When discounting estimated future cash flows, the Company uses a discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit and loss for that period. Impairment is assessed at the level of cash-generating units ("CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Plant and equipment

Plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit and loss.

Depreciation of plant and equipment is based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life and during construction is charged to development costs, otherwise to expense. Depreciation commences when the assets are substantially completed and ready for their intended use. The estimated useful lives are as follows:

Machinery and equipment	7 - 10 years
Motor vehicles	3 - 5 years
Office equipment	3 - 5 years

Impairment of plant and equipment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of plant and equipment at the date the impairment is reversed does not exceed what the cost less accumulated depreciation would have been had the impairment not been recognized.

Share-based compensation

Equity-settled awards, including share options and restricted stock units, are measured at fair value at the date of grant and recognized, over the vesting period, based on the Company's estimate of equity settled awards that will eventually vest, along with a corresponding increase in equity. Compensation costs for the Option Plan and RSU Plan are recorded in share-based compensation expense unless directly attributable to a development asset, in which case such costs are capitalized.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Under the Company's Stock Option Plan ("Option"), amounts related to expired and exercised options are transferred from share-based compensation reserve to share capital when the related expiration or exercise takes place.

Under the Company's Restricted Stock Unit Plan ("RSU"), awards can be either equity or cash settled upon vesting at the discretion of the Board of Directors. As the Company does not have a present obligation to settle in cash, the awards are treated as equity-settled instruments. The vesting terms for RSUs are specific to each individual award as determined and approved by the Board of Directors. The fair value of the RSUs are recognized over the vesting period specific to the grant. On redemption of the RSUs, the accumulated amount in the reserve is credited to share capital.

Blockade expense

Costs incurred during long periods of work stoppage do not directly relate to bringing the mine to production and are therefore expensed.

Taxation

The Company has minimal taxable profit. Until such time as the Company has certainty as to future profits, deferred tax assets and tax liabilities are not recognized.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Net profit (loss) per share

Net profit (loss) per ordinary share is calculated by dividing the net profit (loss) attributed to shareholders for the period by the weighted average number of ordinary shares outstanding during the period. Diluted profit (loss) per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares using the treasury stock method.

Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. The CODM considers the business from a geographic perspective and assesses the performance of geographic segments based on measures of profit and loss as well as assets and liabilities. These measures include operating expenditures, expenditures on exploration and development, plant and equipment, non-current assets and total debt, if any.

The Company operates under a single geographic segment engaged in mineral exploration and development in the Caucasus region. Financial information is reported to the CODM on at least a monthly

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

As of January 1, 2018, the Company adopted changes to accounting standards IFRS 2 – Share-based Payments, IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

IFRS 2 – Share-based payments

The Company has adopted the amendments to IFRS 2, *Share based payments*. The amendments clarify the accounting treatment for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The Company evaluated the change in this standard and there was no impact from the adoption.

IFRS 9 – Financial instruments

The Company has adopted IFRS 9, *Financial instruments*. IFRS 9 replaces the provisions of IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”) that relate to the recognition of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The standard promulgates a single approach for the classification of financial assets, based on a) the business model used to manage financial assets in order to generate cash flows, and b) the cash flow characteristics of those financial assets.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit and loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. The Company classifies cash, cash equivalents and receivables at amortized cost and the derivative asset at FVTPL.

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39, all fair value changes on liabilities designated under the fair value option were recognized in profit (loss). Under IFRS 9, those fair value changes are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income (loss) (“OCI”) and (ii) the remaining amount of change in the fair value is presented in profit (loss). The Company classifies accounts payable, accrued liabilities, stream and debt at amortized cost and the derivative liabilities at FVTPL.

Transition to IFRS 9

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. On adoption of IFRS 9, there were no differences in the carrying amounts of the Company’s financial assets and financial liabilities.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

IFRS 15 – Revenue from contracts with customers

The Company has adopted IFRS 15, *Revenue from Contracts with Customers* on a retrospective basis in accordance with the transitional provisions of IFRS 15. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, so the notion of control replaces the previously existing notion of risks and rewards. IFRS 15 has no impact as the Company has no revenue. The Company will apply the new standard and related disclosures upon commencement of production.

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective for the current reporting period and have not been early adopted by the Company.

IFRS 16 - Leases

The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019. IFRS 16 may be applied before that date but only in conjunction with IFRS 15. The standard establishes principles to determine recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 and related interpretations.

The Company is party to various leases including land leases as part of the Amulsar mine development. All leases will be recorded on the statement of financial position, except short-term leases and leases of low-value items. This is expected to result in an increase to both “right of use” leased assets and lease obligations on the balance sheet upon adoption of the standard along with changes to the timing of recognition and classification of expenses associated with such lease arrangements.

The Company intends to adopt the modified retrospective approach and will not restate balances for the comparative period. The Company is completing its review of all existing operating leases to identify contracts in scope for IFRS 16 and the quantitative impact of the adoption.

5. RESTRICTED CASH

As of December 31, 2018, and 2017, the Company held certain cash amounts, advanced under a credit agreement, that are required to be used to acquire equipment for Amulsar. Such cash amounts are restricted until expenditures to purchase equipment for Amulsar are acceptable to the lender.

6. OTHER CURRENT ASSETS

	As of	
	December 31, 2018	December 31, 2017
Refundable VAT	\$ 9,870	\$ 57
Derivative assets	2,290	-
Government receivables	1,200	-
Advances to vendors and other receivables	394	1,005
Other	257	329
	<u>\$ 14,011</u>	<u>\$ 1,391</u>

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

7. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Development Assets	Plant and Equipment	Total
Cost			
As of December 31, 2016	\$ 108,843	\$ 6,307	\$ 115,150
Additions	250,724	-	250,724
Disposals	-	(1,053)	(1,053)
Transfers of assets into service	(8,113)	8,113	-
Foreign exchange differences	-	9	9
As of December 31, 2017	\$ 351,454	\$ 13,376	\$ 364,830
Additions	93,583	9	93,592
Disposals	-	(64)	(64)
Impairment	(92,700)	-	(92,700)
Transfers of assets into service	(47,806)	47,806	-
As of December 31, 2018	<u>\$ 304,531</u>	<u>\$ 61,127</u>	<u>\$ 365,658</u>
Accumulated Depreciation			
As of December 31, 2016	\$ -	\$ 3,502	\$ 3,502
Additions	-	838	838
Disposals	-	(308)	(308)
Foreign exchange differences	-	9	9
As of December 31, 2017	\$ -	\$ 4,041	\$ 4,041
Additions	-	5,798	5,798
Disposals	-	(14)	(14)
As of December 31, 2018	<u>\$ -</u>	<u>\$ 9,825</u>	<u>\$ 9,825</u>
Carrying Amount			
As of December 31, 2017	<u>\$ 351,454</u>	<u>\$ 9,335</u>	<u>\$ 360,789</u>
As of December 31, 2018	<u>\$ 304,531</u>	<u>\$ 51,302</u>	<u>\$ 355,833</u>

See Note 19 for details on the development asset impairment.

The table below summarizes non-cash additions to development assets:

	For the year ended December 31,	
	2018	2017
Interest	\$ 13,197	\$ 14,107
Depreciation	2,622	830
Reclamation obligation	(414)	7,634
Share-based compensation	640	458
	<u>\$ 16,045</u>	<u>\$ 23,029</u>

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

8. DEFERRED FINANCING COSTS

As of December 31, 2016	\$	18,955
Additions		11,539
Reclassified to debt		(18,440)
As of December 31, 2017	\$	12,054
Additions		2,887
Write-off for unsuccessful financing		(683)
Reclassified to debt		(14,258)
As of December 31, 2018	\$	-

9. OTHER NON-CURRENT ASSETS

	As of	
	December 31, 2018	December 31, 2017
Deferred VAT receivable	\$ 14,051	\$ 13,661
Refundable VAT	9,701	19,748
Restricted reclamation deposit	1,532	1,234
Derivative assets	-	2,789
Other	-	744
	<u>\$ 25,284</u>	<u>\$ 38,176</u>

Deferred VAT is associated with the import of equipment. Payments can be deferred for up to three years from the date of import; the receivable will become recoverable upon the Company's export of a finished product.

According to the Mining Right, Lydian Armenia is required to make installment payments to the Armenian government as a guarantee for post mining rehabilitation and government monitoring. The rehabilitation prepayments will be refunded to the Company after the Armenian government accepts the post mine closure rehabilitation work. Lydian Armenia is also required to prepay non-refundable post closure monitoring of Amulsar.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of	
	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	\$ 3,732	\$ 34,889
Wage accruals	801	2,577
	<u>\$ 4,533</u>	<u>\$ 37,466</u>

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

11. STREAM LIABILITY AND DEBT

	Stream Liability	Debt		
		Term Facility	Equipment Financing	Total Debt
As of December 31, 2016	\$ 60,269	\$ 981	\$ 10,000	\$ 10,981
Proceeds from borrowings	-	80,000	42,851	122,851
Reclassified from financing costs	-	(12,373)	(6,067)	(18,440)
Accrued interest	8,843	2,021	1,973	3,994
Amortization of financing costs	295	807	168	975
Debt payments	-	-	(1,054)	(1,054)
As of December 31, 2017	\$ 69,407	\$ 71,436	\$ 47,871	\$ 119,307
Proceeds from borrowings	-	61,896	33,556	95,452
Reclassified from financing costs	-	(9,296)	(4,962)	(14,258)
Accrued interest	8,771	11,973	5,210	17,183
Amortization of financing costs	295	5,357	2,595	7,952
Debt payments	-	-	(7,079)	(7,079)
As of December 31, 2018	\$ 78,473	\$ 141,366	\$ 77,191	\$ 218,557

As of December 31, 2018, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility and equipment financing facilities. As such, the stream, debt and associated derivatives are classified as current.

Amended and Restated Forbearance Agreement (A&R Forbearance Agreement)

The Company entered into the A&R Forbearance Agreement on December 21, 2018 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to: (a) continue to temporarily suspend all principal and interest payments due and payable (provided that interest shall accrue on all principal and interest during the forbearance period at a rate which is 2% per annum higher than the rate which would otherwise have been payable), and (b) continue to forbear from declaring or acting upon, or exercising default related rights or remedies under such creditor's financing agreement with respect to certain events of default, in each case, until the earlier of (a) June 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the A&R Forbearance Agreement. In January 2019 through an amendment to the Company's existing Term Facility Agreement ("Thirteenth Amending Agreement"), the senior lenders committed to make available up to \$18.6 million to fund the Company during the forbearance period and allow it to maintain a minimum unrestricted cash balance. See Note 27 for subsequent amendments.

Stream Agreement

The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market price, or \$400/oz. for gold and \$4/oz. for silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years. See Note 27 for subsequent amendments.

Term Facility and Cost Overrun Facility

The Company's Term Facility agreement provided for \$160.0 million on a senior secured basis for purposes of construction of Amulsar. Interest is based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%,

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

plus a 6.5% margin (8.5% margin during the forbearance period). Principal plus interest will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow beginning June 30, 2019 and continuing through maturity on September 30, 2021. Subsequent to December 31, 2018, all unutilized capacity was cancelled and replaced with a new Term Facility B pursuant to the Thirteenth Amending Agreement. The \$14.0 million cost overrun facility established as part of the Term Facility was also cancelled in January 2019 as part of the Thirteenth Amending Agreement. See Note 27 for subsequent amendments.

As of December 31, 2018, Term Facility draws totaling \$142.9 million had been received.

Equipment Financing

The Company entered into three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these term facilities is limited to \$90.0 million. A summary of each term facility is below:

- The Ameriabank Term Facility has a maximum principal amount of \$24.0 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% (10.75% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Interest and commitment fees are payable quarterly and principal payments become payable quarterly beginning June 30, 2019. As of December 31, 2018, \$10.0 million was drawn on this facility. Principal and interest payments of \$1.8 million were paid during the year ended December 31, 2018. Availability of additional funds is subject to satisfaction or waiver of certain conditions.
- The Cat Term Facility has a maximum principal amount of \$42.0 million and is secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5% (6.5% during the forbearance period) and there is a 1.5% commitment fee on any undrawn portion. Each advance is repayable over a 72-month term, inclusive of a six-month initial repayment grace period. The facility also requires a three-month principal and interest debt service reserve. As of December 31, 2018, \$28.4 million was drawn on this facility. Principal and interest payments of \$3.6 million were paid during the year ended December 31, 2018. Availability of funds is subject to satisfaction or waiver of certain conditions. The Company is precluded from utilizing any remaining availability by the A&R Forbearance Agreement.
- The ING Term Facility has a maximum principal amount of \$50.0 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95% (4.95% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Each advance is repayable over a 51-month term, with repayment of the first advance beginning in June 2019. As of December 31, 2018, \$48.0 million was drawn on this facility. Interest payments of \$1.7 million were paid during the year ended December 31, 2018. No additional funds can be drawn under the ING Term Facility as the availability period has expired.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The table below presents the maturities of the stream liability and debt:

	As of December 31, 2018
Up to one year	\$ 297,030
More than one year and not later than five years	-
More than five years	-
	<u>\$ 297,030</u>

12. FINANCIAL INSTRUMENTS

The Company recognized certain financial instruments relating to the Financing Agreements including the stream liability, debt and derivatives as discussed in Note 11, Stream Liability and Debt. The classification of the derivative follows the Financing Agreements. The derivatives were classified as current as of December 31, 2018. None of these financial instruments are held for trading and the Company does not currently engage in hedge activities.

The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods:

	Derivative Assets (Liabilities)					Gain (Loss)
	Stream					
	Stream Prepayment Option	Offtake Agreement	Commodity Linked Repayment	Public Offering Warrants	Loan Fee Warrants	
Fair Value Hierarchy Level ¹	3	3	3	2	2	
Fair value at December 31, 2016:	\$ 1,308	\$ (21,178)	\$ 6,284	\$ (4,261)	\$ (512)	
Change in fair value	1,481	(5,850)	(18,353)	4,261	180	\$ (18,281)
Fair value at December 31, 2017:	2,789	(27,028)	(12,069)	-	(332)	
Change in fair value	(499)	5,052	3,769	-	284	\$ 8,606
Fair value at December 31, 2018:	<u>\$ 2,290</u>	<u>\$ (21,976)</u>	<u>\$ (8,300)</u>	<u>\$ -</u>	<u>\$ (48)</u>	

Sensitivity impact upon fair value at December 31, 2018:

10% increase in gold price ²	\$ 1,381	\$ (2,236)	\$ (10,012)	N/A	N/A	\$ (10,867)
10% increase in silver price ²	\$ 129	N/A	\$ (812)	N/A	N/A	\$ (683)
10% increase in 3-month LIBOR rate ²	\$ 20	\$ (1)	\$ (125)	N/A	N/A	\$ (106)

¹The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

² The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Fair Value Measurement

Level 1 Fair Value Estimates - Fair value of the debt was initially estimated using Level 1 criteria, which was the proceeds from debt received by the Company. The fair value and carrying value of debt is the same for all reported periods.

Level 2 Fair Value Estimates - The warrants issued in connection with the Term Facility (Loan Fee - Warrants) are not trading instruments, therefore, use of a pricing model was deemed appropriate. Inputs used for calculating the fair value of the warrants include:

	As of	
	December 31, 2018	December 31, 2017
Warrants outstanding	5,000,000	5,000,000
Expected remaining life in years	0.40	1.40
Expected volatility	126.5%	48.0%
CAD Stock price per share on valuation date	\$0.16	\$0.38
CAD Exercise price	\$0.39	\$0.39
CAD Risk free interest rate	1.72%	1.47%
CAD/USD Exchange rate	0.7348	0.7977
Expected dividend per share	\$Nil	\$Nil

Level 3 Fair Value Estimates - Fair value of the derivatives, other than the warrants, were estimated using Level 3 criteria. The financial modeling techniques applied to these estimates are more complex, and require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates include:

	As of	
	December 31, 2018	December 31, 2017
Gold spot price per ounce	\$ 1,278	\$ 1,306
Silver spot price per ounce	\$ 15	\$ 17
10 year risk free interest rate	2.74%	2.42%
3-month LIBOR rate	2.832%	1.705%
Gold Future Curve (2024) L1 market observable	\$ 1,482.00	\$ 1,483.00
Commodity Inflation (dates past published forward curves)	2.78%	2.22%

The initial fair value of the stream liability, and of the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, and similar debt yields of mining companies. The other key inputs and assumptions to the valuations include the risk-free interest rate, production volumes consistent with the NI 43-101, gold and silver prices consistent with forward price curves, the availability of additional financing, and the volatility of gold and silver prices over a 3-year period.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. The key inputs used include the gold price and volatility, and the quotational period.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The stream commodity linked repayment is modeled as a swap. A swap has a zero-fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change. The key input was the gold price.

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period as shown in the table above.

13. PROVISIONS

Reclamation provision

The provision for reclamation represents the present value of estimated future outflow of economic benefits that will be required to restore and rehabilitate Amulsar. The provision recognized as of December 31, 2018 relates only to the rehabilitation of Amulsar mine areas affected by exploration and development activities.

As of December 31, 2016	\$	452
Disturbances		7,634
As of December 31, 2017	\$	8,086
Accreting and unwinding of discount		901
Change in timing of cashflows		(853)
Foreign currency exchange		3
As of December 31, 2018	\$	8,137

At the end of each year, the Company reviews cost estimates and assumptions used in the valuation of environmental provisions. Changes in these cost estimates and assumptions have a corresponding impact on the carrying value of the obligation. The primary factors that can cause expected future cash flows to change are material changes in reserve estimates and the life-of-mine plan, and changes in laws and regulations governing the protection of the environment. The environmental provision established for reclamation and closure cost obligations represents the present value of rehabilitation costs for Amulsar.

For the year ended December 31, 2018, the Company updated the reclamation and closure cost obligation for Amulsar. The update was prepared based on management and third-party estimates. The total undiscounted expenditures adjusted for inflation are estimated at \$23.7 million as of December 31, 2018. The critical assumptions used in the updated estimate include the expected costs to be incurred up to the year 2037, the timing of those expenditures, the average inflation rate of 4% and the discount rate of 10.7% used to determine net present value. The estimates are based on the Central Bank of Armenia treasury bond rate and the Armenia inflation rate. See Note 9 for required rehabilitation prepayments to the Government of Armenia.

14. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

	Number		Value
Shares outstanding, December 31, 2016	699,449,253	\$	268,608
Shares issued under RSU Plan	1,391,080		418
Shares issued for cash, upon exercise of warrants	51,124,300		14,499
Amount attributable to expired options	-		69
Shares outstanding, December 31, 2017	751,964,633	\$	283,594
Shares issued under RSU Plan	4,203,900		1,265
Amount attributable to expired options	-		65
Shares outstanding, December 31, 2018	756,168,533	\$	284,924

The Company's warrants consist of the Loan Fee – Warrants. The total outstanding is shown below:

	Number of Warrants	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Yrs.)
Balance as of December 31, 2016	104,187,500	\$ 0.36	0.98
Exercised	(51,124,300)	0.36	N/A
Expired	(48,063,200)	0.36	N/A
Balance as of December 31, 2017	5,000,000	\$ 0.39	1.40
Exercised	-	-	N/A
Expired	-	-	N/A
Balance as of December 31, 2018	5,000,000	\$ 0.39	0.40

15. SHARE-BASED COMPENSATION

Restricted Stock Unit Plan

On June 23, 2016, the shareholders approved the Company's Restricted Stock Unit ("RSU") Plan. Under the RSU Plan, awards can be either cash or equity settled upon vesting at the discretion of the Board of Directors. As the Company does not have a present obligation to settle in cash, the awards are treated as equity settled instruments and measured at fair value at the date of grant and recorded in equity. The associated compensation cost is recorded in share-based compensation expense unless directly attributable to development assets.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The following table summarizes the outstanding restricted share units under the employee RSU Plan:

	Number of RSUs	Weighted Average Award Price (CAD)
Balance as of December 31, 2016	5,428,972	\$ 0.39
Granted	7,783,500	0.36
Forfeited/Expired	(1,689,628)	0.37
Redeemed	(1,391,080)	0.39
Balance as of December 31, 2017	10,131,764	\$ 0.37
Granted	9,223,789	0.43
Forfeited/Expired	(4,704,285)	0.40
Redeemed	(4,203,900)	0.38
Balance as of December 31, 2018	10,447,368	\$ 0.40

During the years ended December 31, 2018 and December 31, 2017, \$1.0 million and \$0.9 million were included in share-based compensation expense, \$0.6 million and \$0.5 million were capitalized to development assets, and \$0.2 million and \$nil were included in blockade costs, respectively.

Stock Option Plan

	Number of Options	Weighted Average Exercise Price (CAD)
Balance as of December 31, 2016	5,760,000	\$ 0.82
Expired	(190,000)	0.73
Balance as of December 31, 2017	5,570,000	\$ 0.83
Expired	(270,000)	0.50
Balance as of December 31, 2018	5,300,000	\$ 0.84

The following summarizes the outstanding and exercisable share options under the employee share option plan as of December 31, 2018:

Range of exercise prices	Outstanding options			Exercisable options		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price (CAD)
(CAD\$0-\$1.00)	3,010,000	1.12	\$ 0.63	3,010,000	1.12	\$ 0.63
(CAD\$1.01-\$2.00)	2,290,000	0.24	1.12	2,290,000	0.24	1.12
	5,300,000	0.74	\$ 0.84	5,300,000	0.74	\$ 0.84

16. BLOCKADE EXPENSES

Following the change in the Government of Armenia in May 2018, demonstrations and road blockades have occurred sporadically throughout the country. These protests primarily targeted the mining sector, including the Amulsar project. Access to Amulsar has been blocked since June 2018. During the year ended December 31, 2018 blockade expenses of \$42.0 million relate to idle costs incurred during the blockade, including \$21.9

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

million of interest, \$10.1 million of labor and contractor costs, \$5.2 million of indirect costs, \$3.2 million of depreciation and amortization and \$1.6 million of professional fees.

17. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	For the year ended December 31,	
	2018	2017
Salaries and other compensation	\$ 4,135	\$ 3,327
Share-based compensation	997	958
	<u>\$ 5,132</u>	<u>\$ 4,285</u>

18. GENERAL AND ADMINISTRATIVE EXPENSE

	For the year ended December 31,	
	2018	2017
Professional fees	\$ 1,340	1,187
Travel	696	718
Investor and public relations	168	273
Consulting and contractors	451	498
Other	828	566
	<u>\$ 3,483</u>	<u>\$ 3,242</u>

19. IMPAIRMENT OF DEVELOPMENT ASSETS

In accordance with the Company's accounting policy, non-current assets, including the Amulsar development asset, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized when the carrying amount exceeds the recoverable amount.

At December 31, 2018, the Company determined that the recoverable amount of the Amulsar Gold Project was less than the carrying value. The recoverable amount was determined as the fair value less costs of disposal, using a discounted cash flow model. In December 2018, the Company recognized an impairment loss of \$92.7 million.

The discounted future cash flow model includes management's estimates for the timing of future cash flows. Key assumptions include initial capital expenditures, future operating costs, future sustaining capital expenditures, recoverable reserves, timing of future production, discounted at the appropriate rate. Key assumptions for impairment testing at December 31, 2018 include:

- Discount rate of 17%
- Gold price \$1,300
- Silver price \$16

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

20. OTHER (INCOME) EXPENSE, NET

	For the year ended December 31,	
	2018	2017
Write off of deferred financing costs	\$ 683	\$ -
Write down of asset carrying value	771	-
Loss (gain) on foreign currency	288	(1,088)
Other income	(16)	(9)
	<u>\$ 1,726</u>	<u>\$ (1,097)</u>

21. INCOME TAXES

The Company reported current income tax expense of \$nil for the year ended December 31, 2018 in the consolidated statements of profit and loss.

The income tax expense differs from that computed by applying the applicable statutory rate before taxes as follows:

	For the year ended December 31,	
	2018	2017
Accounting (loss) for the year	\$ (136,084)	\$ (24,126)
Applicable tax rate	20.00%	20.00%
Income tax expense (benefit) at statutory rate	\$ (27,217)	\$ (4,825)
Increase (decrease) attributable to:		
Foreign tax rate differential	1,756	330
Tax-exempt and non-deductible items	3,000	4,464
Change in deferred tax assets not recognized	22,460	301
Other permanent differences	1	(243)
Income tax expense	<u>\$ -</u>	<u>\$ 27</u>

The Company has not recognized deferred taxes in its consolidated statement of financial position for the following amounts of deductible (taxable) temporary differences and net operating loss carryforwards:

	For the year ended December 31,	
	2018	
Net operating losses	\$	22,532
Other		173
Total for which deferred taxes have not been recognized	<u>\$</u>	<u>22,705</u>

As of December 31, 2018, the Company had estimated available Armenian net operating loss carryforwards of AMD 11.2 billion which expire between 2019 and 2023. Management believes that sufficient uncertainty exists regarding the realization of the deferred tax assets associated with these net operating loss carryforwards such that they have not been recognized in the consolidated statements of financial position.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The tax benefits not recognized reflect management's assessment regarding the future realization of these tax assets and estimates of future earnings and taxable income as of December 31, 2018.

22. NET LOSS PER SHARE

	For the year ended December 31,	
	2018	2017
Net loss	\$ (136,084)	\$ (24,153)
Weighted average shares - basic and diluted	755,208,634	704,385,899
Net loss per share - basic and diluted	\$ (0.18)	\$ (0.03)

The treasury stock method assumes that all stock options and restricted stock units have been converted in determining fully diluted profit (loss) per share if they are in the money, except when such conversion is anti-dilutive.

23. FINANCIAL RISK MANAGEMENT

As of December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, the rehabilitation prepayment, accounts payable, accrued liabilities, debt and derivative contracts. The Company estimates that the fair values of these items approximate their carrying values at December 31, 2018 and December 31, 2017.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

Capital Management

The Amulsar Gold Project has not yet reached production, as such, the Company is dependent on external financing to fund its activities. The Company manages its capital structure and adjusts it based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, incur, repay or restructure debt, enter into strategic relationships, and acquire or dispose of assets to facilitate the management of its capital requirements. The Company has prepared expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment, general industry conditions and local conditions specific to Amulsar. The budgets are approved by the Company's Board of Directors and its Senior Lenders.

The capital required for the development of the Amulsar Gold Project was raised through the issuance of ordinary shares and associated warrants, deposits received in connection with the stream liability, and proceeds from debt. The net proceeds raised are used to advance the development of the Amulsar Gold Project and provide sufficient working capital to meet the Company's ongoing obligations. Access to available funds under the existing financing arrangements have been restricted by the Company's senior lenders due to the Government of Armenia's failure to take action in relation to the illegal blockades at the Amulsar site that are preventing the Company from completing construction. The Company has entered into an A&R Forbearance Agreement as discussed in Note 11 and other agreements as discussed in Note 27. Access to

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

additional funds from the senior lenders during the forbearance period are limited and are subject to satisfaction or waiver of certain conditions. The Company will need additional funds for completion of the Amulsar Gold Project or other alternatives. The Company may be able to issue additional shares, restructure the existing debt, negotiate additional funding from the stream or incur additional debt subject to market conditions. However, the Company's Financing Agreements limit the amount of additional indebtedness. Consent of certain lenders would be required to increase the stream liability or the debt limitation.

Capital is comprised of the aggregate of total equity attributable to owners, accounts payable and accrued liabilities, stream liability and debt. As of December 31, 2018, and December 31, 2017, the Company's equity was \$45.4 million and \$179.6 million, accounts payable and accrued liabilities was \$4.5 million and \$37.5 million, and stream liability and debt, net of unamortized debt issuance costs of \$297.0 million and \$188.7 million, respectively.

Financial risk management

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk.

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates or commodity prices, will affect the value of the Company's financial instruments.

(i) *Currency Risk* - Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the United States dollar and its primary operations are in Armenia.

The Company's net assets and liabilities are predominately held in US dollars, Armenian drams, Canadian dollars and the Euro. The sensitivity analysis below indicates an influence on net income where the US dollar strengthens 10% against the relevant currency, resulting in a loss of foreign currency exchange. If the US dollar weakens, an opposite impact on net income would be realized.

	For the year ended December 31,	
	2018	2017
Armenian dram	\$ (1,224)	\$ (2,930)
Canadian dollar	(87)	(4,992)
	<u>\$ (1,311)</u>	<u>\$ (7,922)</u>

The Company's currency risk policy is to hold funds primarily in the US Dollar, with funds held in the Armenian dram, the Canadian Dollar and the Euro roughly in proportion to expected future expenditure over the next quarter.

(ii) *Interest rate risk* - Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. The Company's exposure to interest rate fluctuations is due primarily to its long-term debt, which have interest rates based on LIBOR. The Company has not entered into any

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

agreements to hedge against unfavorable changes in the LIBOR rate. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on long-term debt.

Advances from the Term Facility bear interest at LIBOR plus 6.5% (subject to a minimum of 1%) and advances from Ameriabank Term Facility bear interest at LIBOR plus 8.75%. Advances under the ING Term Facility bear interest at LIBOR plus 2.95% and advances under the Cat Term Facility bear interest at LIBOR plus 4.5%. As of December 31, 2018, the Company had defaulted on certain loan provisions. As discussed in Note 11, the Company entered into an A&R Forbearance Agreement with its lenders whereby the interest rate is increased by 2% above the applicable rate in each agreement during the forbearance period which ends on June 30, 2019.

Sensitivity to a 1% change in interest rates for debt with all other variables held constant as of December 31, 2018, would affect the Consolidated Statements of Profit and Loss and Comprehensive Profit and Loss by \$2.9 million in 2018 and \$1.3 million in 2017.

The Company deposits cash into fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as of December 31, 2018 and 2017 with respect to its cash and cash equivalents and restricted cash positions.

(iii) Commodity price risk - The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions. There is no assurance that a profitable market will exist for gold and silver produced by the Company.

The financial instruments impacted by commodity prices are the embedded derivatives related to the Stream Agreement and the Offtake Agreement. See Note 12.

As of December 31, 2018, no gold or silver ounces had been delivered under these contacts. See Note 12 for the impact of a 10% appreciation or depreciation of gold or silver prices on the embedded derivatives.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk is primarily liquid financial assets including cash and restricted cash. The Company has a concentration of cash at a major Canadian bank, however management considers its credit risk on cash and cash equivalents to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

As the Company has no revenue or trade receivables, management considers this credit risk as low. Advances are paid to major suppliers primarily relating to local construction companies for the development of the Amulsar project. Payment of these deposits is considered by management on a case by case basis. The VAT receivables and rehabilitation pre-payments are with the Republic of Armenia. The VAT will be refunded in future periods.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The below table shows the Company's balances:

	For the year ended December 31,	
	2018	2017
VAT receivables	\$ 33,806	\$ 33,461
Rehabilitation and monitoring prepayment	1,532	1,234
Advances to contractors	80	19,804
	<u>\$ 35,418</u>	<u>\$ 54,499</u>

During the years ended December 31, 2018 and 2017, there were no material impairment provisions required for any of the financial assets. There are no material financial assets that the Company considers past due. The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity may be adversely affected if its access to the capital and debt markets are hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the Company. During 2017 and through October 2018, the Company has relied on shareholders, advances under the stream, and debt funding to finance its operations and development of the Amulsar Gold Project. Due to the illegal blockades, the Company has not been able to access the Amulsar Gold Project site since June 2018 and as such, construction has been suspended and access to advances under its existing debt facilities have been restricted. The Company is in default of certain provisions of its financing agreements as of December 31, 2018 and while the Company has entered into an A&R Forbearance Agreement where by the Lenders have agreed to waive principal and interest payments until June 30, 2019, there can be no assurance that the Company will be able to settle borrowings and other long-term liabilities beyond that date.

The Company will require additional funds from other sources necessary to meet its development obligations. There is no assurance that the Company will be able to meet the conditions at the time funds are required or arrange any additional sources of funding, therefore liquidity risk is present until such a time as the conditions are satisfied and additional funding is arranged.

The ultimate responsibility for liquidity risk rests with the Board of Directors, which has designed an appropriate risk management framework for the management of the Company's short, medium and long-term funding requirements.

The Company's cash and cash equivalents are held in fully liquid bank accounts which are available on demand by the Company.

The Company's financial obligations consist of accounts payable and accrued liabilities, the stream liability, debt, and a provision for restoration and rehabilitation. The stream liability consists of a defined delivery obligation of ounces of gold and silver (6.75% of refined gold ounces up to an aggregate 142,454 ounces and 100% of refined silver ounces, up to an aggregate of 694,549 ounces) over an estimated ten years. See Note 11. Subsequent to December 31, 2018, the Company entered into an A&R Stream Agreement, see Note 27.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

As of December 31, 2018, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility and equipment financing facilities. As such, the stream, Term Facility and equipment financing facilities are shown as due within one year. The maturity schedule as of December 31, 2018 is as follows:

	For the year ended December 31, 2018			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 4,533	\$ -	\$ -	\$ 4,533
Debt and interest	297,030	-	-	297,030
Provisions	140	1,909	6,088	8,137
	<u>\$ 301,703</u>	<u>\$ 1,909</u>	<u>\$ 6,088</u>	<u>\$ 309,700</u>

Fair value of financial assets and liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See Note 12.

24. RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Company is Lydian International Limited. No individual party had overall control of the Company during the periods being presented. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related parties include the Board of Directors, key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Compensation awarded to key management for the periods indicated below was as follows:

	For the year ended December 31,	
	2018	2017
Salaries and other compensation	\$ 2,297	\$ 1,646
Share-based compensation	941	648
	<u>\$ 3,238</u>	<u>\$ 2,294</u>

25. COMMITMENTS

Leases

	As of December 31, 2018
Up to one year	\$ 1,691
More than one year and not later than five years	5,685
More than five years	7,440
	<u>\$ 14,816</u>

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The Company leased a building in Jermuk, Armenia. As of December 31, 2018, the remaining commitments of \$1.7 million are included in the table above. The Company is entitled, but not obligated, to perform repair of the building at the Company's expense and must return it to the lessor in good condition and suitable for use at the end of the lease term. Subsequent to December 31, 2018, the Company has provided notice of termination for cause for this lease.

Construction contracts

The Company had entered into various contracts for purchase of equipment and supply, construction, and other service associated with Amulsar. Due to the blockades, most construction contractors were terminated or suspended. As of December 31, 2018, the Company had \$1.5 million in committed contracts.

Rehabilitation payments

In May 2016, Lydian Armenia signed an amended Mining Right with the Ministry of Energy, Infrastructure and Natural Resources of Armenia. Under the agreement, Lydian Armenia previously made payments to the Armenian government as a guarantee for post-mining environmental rehabilitation and for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD 121.9 million, or \$0.3 million over thirteen years commencing in 2016. In addition, Lydian Armenia is committed to invest annually AMD 61.0 million, or \$0.1 million after mine closure for workforce social mitigation and AMD 61.5 million, or \$0.1 million for adjacent communities' social-economic development. The rehabilitation guarantee will be refunded to the Company after mine closure when rehabilitation is completed and accepted by the Armenian government.

26. CONTINGENCIES

Contingent quarterly payment

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% net smelter royalty ("NSR"). However, as provided for in the purchase agreement, on April 9, 2018 Lydian exercised its option to terminate the 3% NSR and in lieu thereof, elected the quarterly payment option to pay Newmont the aggregate sum of \$20.0 million, without interest, in 20 equal quarterly installments of \$1.0 million each, commencing on the first day of the third calendar month following the start of commercial production. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont. These potential payments do not meet the definition of an obligation as the triggering event had not occurred as of December 31, 2018 and, therefore, are not recognized in the consolidated financial statements.

27. SUBSEQUENT EVENTS

Amendments to existing agreements

A&R Stream Agreement

On January 15, 2019, the Lydian International Limited and Lydian Armenia entered into an Amended and Restated Purchase and Sale Agreement (the "A&R Stream Agreement") with Osisko Bermuda Limited ("Osisko") and Resource Capital Fund VI L.P. ("RCF") (the "Purchasers"). This agreement amends and restates the purchase and sale agreement (gold and silver) that was originally entered on November 30, 2015 (the "Stream Agreement").

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Under the A&R Stream Agreement, the Purchasers have an option to make a third deposit (the "Third Deposit") in an amount of \$8.0 million during the period commencing on the Term Facility B Maturity Date (as defined below) and ending 10 business days thereafter. The Third Deposit amount may be paid in part or full by applying any amounts owing to RCF and Osisko under Term Facility B. However, the Purchasers shall not have the option to make a Third Deposit if the Term Facility B Maturity Date occurs due to a change of control of Lydian Armenia or any guarantor under the A&R Stream Agreement and the buyer in connection with the change of control has purchased all of the stream obligations from the Purchasers.

If the Third Deposit is made, the A&R Stream Agreement will apply for the entire duration of the life of Amulsar, otherwise the term of the A&R Stream Agreement will remain same as that of the Stream Agreement.

Under the A&R Stream Agreement, Lydian Armenia shall sell to the Purchasers, and the Purchasers shall purchase from Lydian Armenia, the Designated Gold Percentage and the Designated Silver Percentage. These terms are defined as follows:

- The Designated Gold Percentage means prior to the Third Deposit Date, 6.75% of the number of ounces of refined gold produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 165,000 ounces of refined gold have been delivered to the Purchasers, 6.75% of the number of ounces of refined gold produced from Amulsar, (ii) thereafter, until such time as an additional 35,000 ounces of refined gold have been delivered to the Purchasers, 2.70% of the number of ounces of refined gold produced from Amulsar, and (iii) thereafter, 2.3625% of the number of ounces of refined gold produced from Amulsar.
- The Designated Silver Percentage means prior to the Third Deposit Date, 100% of the number of ounces of refined silver produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 805,000 ounces of refined silver have been delivered to the Purchasers, 100% of the number of ounces of refined silver produced from Amulsar, (ii) thereafter, until such time as an additional 190,000 ounces of refined silver have been delivered to the Purchasers, 40% of the number of ounces of refined silver produced from Amulsar, and (iii) thereafter, 35% of the number of ounces of refined silver produced from Amulsar.

Additionally, if the Third Deposit is made, Lydian will no longer be able to elect to reduce the amount of refined gold and refined silver to be delivered and sold by Lydian Armenia by 50% in accordance with the terms of the A&R Stream Agreement.

Thirteenth Amending Agreement

On January 15, 2019, the Company also entered the Thirteenth Amendment to the Term Facility whereby: (a) Osisko was added as a lender, (b) all unfunded commitments under the Term Facility were cancelled, (c) all commitments under the cost overrun facility were cancelled, and (d) a new Term Facility B was made available to Lydian Armenia ("Term Facility B").

Term Facility B is for a total amount of \$18.6 million and available to be drawn in multiple advances through the earlier of (i) June 30, 2019, (ii) the date on which the A&R Forbearance Agreement terminates, and (iii) the date of change of control of Lydian Armenia or Lydian (the "Term Facility B Maturity Date").

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

All amounts advanced during December 2018 were deemed to have been advanced under the Term Facility B and the available commitment under the Term Facility B was reduced accordingly. For future advances under Term Facility B, the applicable percentages shall be 48.08% in respect of Orion, 34.37% in respect of Osisko and 17.55% in respect of RCF.

Subject to the A&R Forbearance Agreement, each advance under the Term Facility B bears an interest rate of 15% per annum. The default rate with respect to Term Facility B is 18.5% per annum.

Approval of financial statements:

The condensed consolidated financial statements for year ended December 31, 2018 were approved for issuance by the Board of Directors on March 12, 2019 and subsequent events have been reviewed through the date of approval.

EXHIBIT "G"

*THIS IS EXHIBIT "G", referred to in the
Affidavit of EDWARD A. SELLERS,
sworn on December 22, 2019.*



Commissioner for Taking Affidavits



**LYDIAN INTERNATIONAL LIMITED
UNAUDITED INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

Contents

Condensed Consolidated Statements of Financial Position	1
Condensed Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss).....	2
Condensed Consolidated Statements of Cashflows	3
Condensed Consolidated Statements of Changes in Equity	4
Notes to the Condensed Consolidated Financial Statements	5-24

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(expressed in thousands of US Dollars)

	Note	As of	
		September 30, 2019	December 31, 2018
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 4,089	\$ 3,386
Restricted cash		1,154	1,029
Other current assets	4	16,096	14,011
Total current assets		21,339	18,426
<i>Non-current assets</i>			
Mineral property, plant and equipment, net	5	320,106	355,833
Other non-current assets	6	8,134	25,284
Total non-current assets		328,240	381,117
TOTAL ASSETS		\$ 349,579	\$ 399,543
LIABILITIES			
<i>Current liabilities</i>			
Accounts payable and other current liabilities		\$ 1,334	\$ 4,349
Current deferred VAT payable		10,550	184
Stream liability and debt	7	342,486	297,030
Derivative liabilities	8	28,234	30,324
Current provisions	9	1,307	-
Total current liabilities		383,911	331,887
<i>Non-current liabilities</i>			
Provisions	9	6,361	8,137
Deferred VAT payable		3,857	14,051
Forbearance warrants	8	1,123	-
Non-current portion of lease liabilities	10	88	-
Total liabilities		395,340	354,075
EQUITY			
Share capital	11	286,074	284,924
Employee share-based plan reserves		1,213	4,769
Translation of foreign operations		(18,479)	(18,479)
Accumulated deficit		(314,569)	(225,746)
Total equity		(45,761)	45,468
TOTAL LIABILITIES AND EQUITY		\$ 349,579	\$ 399,543
Going concern	1		
Subsequent Events	7 & 20		

On behalf of the Board of Directors:

"Russell Ball" (signed)
Russell Ball, Chairman of the Board

"Stephen Altmann" (signed)
Stephen Altmann, Chairman of the Audit Committee

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS) (UNAUDITED)

(expressed in thousands of US Dollars)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2019	2018	2019	2018
Interest income		\$ 21	\$ 56	\$ 70	\$ 362
Total income		<u>21</u>	<u>56</u>	<u>70</u>	<u>362</u>
Dislocation-related expense	13	20,269	21,152	60,335	21,152
Employee salaries and benefits expense	14	451	830	1,435	3,724
General and administrative expense		604	898	1,964	2,621
Depreciation and amortization expense		17	5	53	28
(Gain) loss on financial instruments fair value, net	8	950	(8,810)	(650)	(13,816)
Impairment of mineral property	15	-	-	28,000	-
Other expense, net		(199)	1,119	(13)	1,526
Total expense		<u>22,092</u>	<u>15,194</u>	<u>91,124</u>	<u>15,235</u>
Loss before income taxes		<u>(22,071)</u>	<u>(15,138)</u>	<u>(91,054)</u>	<u>(14,873)</u>
Income taxes		-	9	-	17
Net loss		<u>\$ (22,071)</u>	<u>\$ (15,147)</u>	<u>\$ (91,054)</u>	<u>\$ (14,890)</u>
Net loss per share (basic and diluted)	16	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ (0.02)</u>
Other comprehensive loss:					
Net loss		\$ (22,071)	\$ (15,147)	\$ (91,054)	\$ (14,890)
Other comprehensive profit (loss):					
Currency translation adjustment		(34)	1	-	49
Total comprehensive loss		<u>\$ (22,105)</u>	<u>\$ (15,146)</u>	<u>\$ (91,054)</u>	<u>\$ (14,841)</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS (UNAUDITED)

(expressed in thousands of US Dollars)

	Note	For the nine months ended September 30,	
		2019	2018
Cash from operating activities			
Net loss		\$ (91,054)	\$ (14,890)
<i>Adjustments for:</i>			
Interest and other financing costs	7 & 8	41,657	9,268
Gain on financial instruments at fair value, net	8	(650)	(13,816)
Share-based compensation	12	(175)	627
Impairment of mineral property	15	28,000	-
Depreciation and amortization expense		4,792	1,515
Interest income		(70)	(362)
Other		2,001	1,318
<i>Working capital changes:</i>			
Change in other current assets		(198)	(931)
Change in accounts payable and accrued liabilities		(1,098)	3,514
Cash used in operations		(16,795)	(13,757)
Cash flows from investing activities			
Acquisition of mineral property, plant and equipment		(1,010)	(106,102)
Change in other assets		12,960	(4,456)
Interest income received		70	362
Other		-	29
Cash provided by (used in) investing activities		12,020	(110,167)
Cash flows from financing activities			
Proceeds from borrowings	7	9,074	91,794
Financing costs	7	(300)	(3,169)
Debt repayments	7	(3,000)	(5,539)
Finance lease principle and interest payments	10	(182)	-
Restricted cash		(152)	(3,044)
Cash provided by financing activities		5,440	80,042
Net increase (decrease) in cash and cash equivalents		665	(43,882)
Foreign exchange effect on cash		38	150
Cash and cash equivalents, beginning of year		3,386	53,937
Cash and cash equivalents, ending balance		\$ 4,089	\$ 10,205

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(expressed in thousands of US Dollars)

	Share Capital	Reserves		Translation of foreign operations	Accumulated deficit	Total
		Employee share option plan reserve	Restricted stock unit plan reserve			
Balance at December 31, 2017	\$ 283,594	\$ 2,635	\$ 1,588	\$ (18,528)	\$ (89,662)	\$ 179,627
Issue of new shares	1,097	-	(1,097)	-	-	-
Attributable to expired options	60	(60)	-	-	-	-
Share based compensation	-	16	1,251	-	-	1,267
Comprehensive profit (loss)	-	-	-	49	(14,890)	(14,841)
Balance at September 30, 2018	\$ 284,751	\$ 2,591	\$ 1,742	\$ (18,479)	\$ (104,552)	\$ 166,053
Balance at December 31, 2018	\$ 284,924	\$ 2,586	\$ 2,183	\$ (18,479)	\$ (225,746)	\$ 45,468
Issue of new shares	1,150	-	(1,150)	-	-	-
Attributable to expired options	-	(2,231)	-	-	2,231	-
Share based compensation	-	-	(175)	-	-	(175)
Comprehensive loss	-	-	-	-	(91,054)	(91,054)
Balance at September 30, 2019	\$ 286,074	\$ 355	\$ 858	\$ (18,479)	\$ (314,569)	\$ (45,761)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

1. GENERAL INFORMATION AND GOING CONCERN

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, Francis Street, St Helier, Jersey JE2 4QE Channel Islands. Lydian's ordinary shares ("Ordinary Shares") are listed on the Toronto Stock Exchange ("TSX") and began trading under the symbol LYD on January 10, 2008.

Lydian, together with its subsidiaries (the "Company"), is a gold development company focusing on construction at its 100%-owned Amulsar Project ("Amulsar") located in south-central Armenia. Development at Amulsar is being conducted under the Mining Right ("Mining Right") issued by the Republic of Armenia in May 2016. Construction has been suspended due to actions and inactions of the Government of Armenia that, among other things, have permitted illegal blockades and prevented access to Amulsar since June 2018.

In conducting development activities in Armenia, the Company is subject to considerations and risks not typically associated with companies operating in Jersey, the United Kingdom, or Canada. These include but are not limited to risks such as non-enforcement of the rule of law, political, economic, and legal environments in emerging markets. The Company's results and prospects have been and continue to be adversely affected by changes in political and social conditions and adverse governmental policies specific to Lydian, mining laws and regulations, currency conversion, remittance abroad, rates and methods of taxation, and other factors.

These unaudited condensed consolidated financial statements were prepared on a going concern basis that assumes the Company continues and will be able to realize its assets and discharge its liabilities in the normal course of business. Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Project. Despite court rulings in favor of the Company, a continuous illegal blockade at the Amulsar Project has been in place since June 22, 2018, causing construction activities to be suspended. The Company has been dislocated from the Amulsar site and its access has been limited to contractor demobilization and winterization during the fourth quarter of 2018, and one day of limited police escorted access in the second quarter of 2019.

The Government of Armenia has not enforced the rule of law to remove the illegal blockades at the Amulsar Project site and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has taken certain actions and failed to act on other matters. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by its senior lenders, stream financing providers, and equipment financiers. As a result, the Company entered into several agreements with its senior lenders, stream financing providers, and equipment financiers. On October 14, 2019, the Company entered into the Fourth Amended and Restated Forbearance Agreement ("Fourth A&R Forbearance Agreement") which extends the forbearance to December 20, 2019. For additional detail see Note 7 and Note 20. As a result of these circumstances, the Company has incurred significant dislocation-related expenses, for additional detail see Note 13.

The Company's ability to continue as a going concern is dependent upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. It will also be necessary for the Company to continue to receive forbearance under the Fourth A&R Forbearance Agreement and funding under the Fifteenth Amending Agreement. Dislocation-related expenses will continue to be incurred until the illegal blockades are removed and unrestricted access for all purposes is available to the Company. Thereafter, the

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Company anticipates additional time and funding will be needed for site restoration, sourcing of financing, if available, for completing construction and working capital until positive cash flows from operations can be achieved. Alternatively, funding will be required until a strategic alternative can be arranged, if at all, or to support the Company's legal alternatives.

While the Company has entered into the Fourth A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers, as a result of the actions and inactions of the Government of Armenia there is no assurance that the Company will be able to meet its obligations under the applicable credit or loan agreements with its senior lenders, stream financing providers, and equipment financiers and that the Company will avoid further events of default as contemplated under such agreements. As a result, the Company may not be able to receive forbearance and continuing funding from the same parties under the Fourth A&R Forbearance Agreement, the Fifteenth Amending Agreement, and the A&R Stream Agreement. Therefore, there is a risk that the Company will be in default under its agreements with its senior lenders, stream financing providers, and equipment financiers, which may ultimately result in one or more secured parties exercising rights to demand repayment and enforcing security rights, that may result in partial or full loss of the assets of the Company. During this forbearance period, Lydian will continue to engage with its senior lenders, stream financing providers, and equipment financiers to address the issues resulting from the illegal blockades and seek continuing forbearance and funding, while at the same time evaluating a range of strategic, financing, and legal alternatives.

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the Fourth A&R Forbearance Agreement, the Fifteenth Amending Agreement, and the A&R Stream Agreement, as a result of the actions and inactions of the Government of Armenia there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations, find an acceptable strategic alternative, or fund legal alternatives. Furthermore, there are no assurances of future forbearances or lenders not demanding repayment and exercising security rights under the respective credit agreements. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern. These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require additional material write downs of the carrying values of certain assets.

2. BASIS OF PRESENTATION, CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION UNCERTAINTIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies applied in these unaudited interim condensed consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of new and amended standards as set out below.

The preparation of unaudited interim condensed consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. In management's opinion, all adjustments

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

considered necessary for a fair presentation have been included in these unaudited interim condensed consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgements made by management applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for those significant judgements made by management arising from the adoption of new and amended accounting standards as set out in Note 3. For a description of the Company's critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements and related notes for the year ended December 31, 2018.

The format of the interim condensed financial statements has been changed from the format presented in the Company's audited annual consolidated financial statements for the year ended December 31, 2018 to reflect the adoption of new and amended accounting standards as set out in Note 3.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on November 11, 2019.

3. NEW ACCOUNTING PRONUCEMENTS

Impact of adoption of new accounting standards that have been applied starting January 1 ,2019

Overview of IFRS 16 – Leases

The Company has adopted IFRS 16, *Leases* as of January 1, 2019 using the modified retrospective method and therefore has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore reflected as of January 1, 2019.

The Company leases office and warehouse space. These real estate property lease contracts are typically made for fixed periods of three to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants on the Company and leased assets are not used as security for borrowing purposes.

Until the end of 2018, leases of real estate property were classified as operating leases. Payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease.

Effects of Adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as operating leases under the principles of IAS 17, *Leases*. For additional detail, see Notes 5 and 10.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

4. OTHER CURRENT ASSETS

	September 30, 2019	December 31, 2018
Deferred VAT receivable	\$ 10,550	\$ 184
Refundable VAT	4,861	9,870
Advances to vendors and other receivables	581	394
Government receivables	33	1,200
Derivative assets	-	2,290
Other	71	73
	<u>\$ 16,096</u>	<u>\$ 14,011</u>

Deferred value added tax ("VAT") is associated with the import of equipment into Armenia. The regulations allow the Company to defer VAT payments for up to three years from the date of import. The deferred VAT receivable has an equal and offsetting deferred VAT payable. The deferred VAT receivable will become recoverable upon the company's export of a finished product.

5. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Development Assets	Plant and Equipment		Total
		Cost	Accumulated Depreciation	
Balance at December 31, 2017	\$ 351,454	\$ 13,376	\$ (4,041)	\$ 360,789
Adjustments and additions	93,583	9	-	93,592
Impairment	(92,700)	-	-	(92,700)
Transfers of assets into service	(47,806)	47,806	-	-
Disposals	-	(64)	14	(50)
Depreciation and amortization	-	-	(5,798)	(5,798)
Balance at December 31, 2018	<u>\$ 304,531</u>	<u>\$ 61,127</u>	<u>\$ (9,825)</u>	<u>\$ 355,833</u>
Adjustments and additions	(3,740)	873	-	(2,867)
Impairment	(28,000)	-	-	(28,000)
Disposals	(68)	(126)	126	(68)
Depreciation and amortization	-	-	(4,792)	(4,792)
Balance at September 30, 2019	<u>\$ 272,723</u>	<u>\$ 61,874</u>	<u>\$ (14,491)</u>	<u>\$ 320,106</u>

As discussed in Note 3, upon adoption of IFRS 16, right-of-use assets related to leases were measured at an amount equal to the lease liability, adjusted for deposits and accruals as of January 1, 2019. Right-of-use assets due to the adoption of IFRS 16 of \$0.4 million are included as additions in plant and equipment as shown in the table above. For additional detail see Note 10.

See Note 15 for details on the impairment.

Non-cash additions to development assets for the nine months ended September 30, 2019 was \$(2.4) million primarily due to a reduction in the reclamation obligation and the associated asset as a result of a change in Amulsar's production time-line and the estimated inflation rate.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

6. OTHER NON-CURRENT ASSETS

	September 30, 2019	December 31, 2018
Deferred VAT receivable	\$ 3,857	\$ 14,051
Refundable VAT	2,919	9,701
Restricted reclamation deposit	1,358	1,532
	<u>\$ 8,134</u>	<u>\$ 25,284</u>

According to the Mining Right, Lydian Armenia CJSC (“Lydian Armenia”) is required to make installment payments to the Armenian government as a guarantee for post mining rehabilitation and government monitoring. These reclamation deposits will be refunded to the Company after the Armenian government accepts the post mine closure rehabilitation work.

7. STREAM LIABILITY AND DEBT

	Stream Liability	Term Facilities	Equipment Financing	Total
As of December 31, 2017	\$ 69,407	\$ 71,436	\$ 47,871	\$ 188,714
Proceeds from borrowings	-	61,896	33,556	95,452
Financing Costs	-	(9,296)	(4,962)	(14,258)
Accrued interest	8,771	11,973	5,210	25,954
Amortization of financing costs	295	5,357	2,595	8,247
Debt payments	-	-	(7,079)	(7,079)
As of December 31, 2018	<u>\$ 78,473</u>	<u>\$ 141,366</u>	<u>\$ 77,191</u>	<u>\$ 297,030</u>
Proceeds from borrowings	-	9,074	-	9,074
Financing Costs	-	(300)	-	(300)
Accrued interest	6,649	14,053	5,677	26,379
Amortization of financing costs	221	9,528	3,554	13,303
Debt payments	-	-	(3,000)	(3,000)
As of September 30, 2019	<u>\$ 85,343</u>	<u>\$ 173,721</u>	<u>\$ 83,422</u>	<u>\$ 342,486</u>

As of September 30, 2019, the Company was in default of certain loan provisions contained in the stream agreement, the term facility and equipment financing facilities. As such, the stream, debt and associated derivatives are classified as current.

Forbearance Agreements

Fourth Amended and Restated Forbearance Agreement (“Fourth A&R Forbearance Agreement”)

The Company entered into the Fourth A&R Forbearance Agreement on October 14, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) December 20, 2019, (b) the occurrence of an additional event of default under such creditor’s financing agreement, or (c) any breach by Lydian of the Fourth A&R Forbearance Agreement. Under this agreement Lydian Armenia continues to follow the strict budget prescribed in an itemized schedule which focuses on implementing a conservation plan and strategy anchored in asset stewardship, value preservation and site recovery, and implementing a strategic transaction. Advances from Term Facility B are subject to Lydian’s progression in implementing certain strategic alternatives.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Third Amended and Restated Forbearance Agreement ("Third A&R Forbearance Agreement")

The Company entered into the Third A&R Forbearance Agreement on October 1, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) October 11, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the Third A&R Forbearance Agreement.

Second Amended and Restated Forbearance Agreement ("Second A&R Forbearance Agreement")

The Company entered into the Second A&R Forbearance Agreement on July 1, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) September 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the Second A&R Forbearance Agreement.

Pursuant to the Second A&R Forbearance Agreement, on July 8, 2019 the Company issued 23,036,136 warrants to AB Svensk Exportkredit and 4,746,324 warrants to Ameriabank CJSC (collectively, the "Forbearance Warrants"), which represented 3.5% of the Company's issued and outstanding ordinary shares (on a fully diluted basis) as of July 1, 2019. The Forbearance Warrants are ordinary share purchase warrants, with each warrant being exercisable for one ordinary share of the Company. The Forbearance Warrants have a term of 5 years with an exercise price of CAD \$0.1495, the holders will have the ability to exercise the Forbearance Warrants on a cashless basis. Because the Forbearance Warrants have a conversion price in a currency other than the Company's functional currency, they represent a financial instrument and are measured at fair value on a recurring basis. See Note 8 for the inputs used for calculating the value.

Also pursuant to the Second A&R Forbearance Agreement, the company made principal payments of \$1.0 million on July 8, 2019 and \$2.0 million on September 30, 2019, on the Cat Term Facility.

Amended and Restated Forbearance Agreement ("A&R Forbearance Agreement", collectively with the Second A&R Forbearance Agreement, Third A&R Forbearance Agreement and Fourth A&R Forbearance Agreement, the "Forbearance Agreements")

The Company entered into the A&R Forbearance Agreement on December 21, 2018 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to: (a) continue to temporarily suspend all principal and interest payments due and payable (provided that interest shall accrue on all principal and interest during the forbearance period at a rate which is 2% per annum higher than the rate which would otherwise have been payable), and (b) continue to forbear from declaring or acting upon, or exercising default related rights or remedies under such creditor's financing agreement with respect to certain events of default, in each case, until the earlier of (a) June 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the A&R Forbearance Agreement. In January 2019 through an amendment to the Company's existing Term Facility Agreement ("Thirteenth Amending Agreement"), the senior lenders committed to make available up to \$18.6 million to fund the Company during the forbearance period and allow it to maintain a minimum unrestricted cash balance.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Stream Agreement

The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market price, or \$400/oz. for gold and \$4/oz. for silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years.

Amended and Restated Purchase and Sale Agreement ("A&R Stream Agreement")

On January 15, 2019, the Company entered into the A&R Stream Agreement with Osisko Bermuda Limited ("Osisko") and Resource Capital Fund VI L.P. ("RCF") (the "Purchasers"). This agreement amends and restates the purchase and sale agreement (gold and silver) that was originally entered on November 30, 2015 (the "Stream Agreement").

Under the A&R Stream Agreement, the Purchasers have an option to make a third deposit (the "Third Deposit") in an amount of \$8.0 million during the period commencing on the Term Facility B Maturity Date (as defined below) and ending 10 business days thereafter. The Third Deposit amount may be paid in part or full by applying any amounts owing to RCF and Osisko under Term Facility B. However, the Purchasers shall not have the option to make a Third Deposit if the Term Facility B Maturity Date occurs due to a change of control of Lydian Armenia or any guarantor under the A&R Stream Agreement and the buyer in connection with the change of control has purchased all of the stream obligations from the Purchasers.

If the Third Deposit is made, the A&R Stream Agreement will apply for the entire duration of the life of Amulsar, otherwise the term of the A&R Stream Agreement will remain same as that of the Stream Agreement.

Under the A&R Stream Agreement, Lydian Armenia shall sell to the Purchasers, and the Purchasers shall purchase from Lydian Armenia, the Designated Gold Percentage and the Designated Silver Percentage. These terms are defined as follows:

- The Designated Gold Percentage means prior to the Third Deposit Date, 6.75% of the number of ounces of refined gold produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 165,000 ounces of refined gold have been delivered to the Purchasers, 6.75% of the number of ounces of refined gold produced from Amulsar, (ii) thereafter, until such time as an additional 35,000 ounces of refined gold have been delivered to the Purchasers, 2.70% of the number of ounces of refined gold produced from Amulsar, and (iii) thereafter, 2.3625% of the number of ounces of refined gold produced from Amulsar.
- The Designated Silver Percentage means prior to the Third Deposit Date, 100% of the number of ounces of refined silver produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 805,000 ounces of refined silver have been delivered to the Purchasers, (ii) thereafter, until such time as an additional 190,000 ounces of refined silver have been delivered to the Purchasers, 40% of the number of ounces of refined silver produced from Amulsar, and (iii) thereafter, 35% of the number of ounces of refined silver produced from Amulsar.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Additionally, if the Third Deposit is made, Lydian will no longer be able to elect to reduce the amount of refined gold and refined silver to be delivered and sold by Lydian Armenia by 50% in accordance with the terms of the A&R Stream Agreement.

Term Facilities

The Company's Term Facility agreement provided for \$160.0 million on a senior secured basis for purposes of construction of Amulsar. Interest is based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin (8.5% margin during the forbearance period). Principal plus interest will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow through maturity on September 30, 2021. In January 2019, all unutilized capacity was cancelled and replaced with a new Term Facility B ("Term Facility B") pursuant to the Thirteenth Amending Agreement. The \$14.0 million cost overrun facility established as part of the Term Facility was also cancelled in January 2019 as part of the Thirteenth Amending Agreement.

Thirteenth Amendment to the Term Facility ("Thirteenth Amending Agreement")

On January 15, 2019, the Company entered the Thirteenth Amending Agreement whereby: (a) Osisko was added as a lender, (b) all unfunded commitments under the Term Facility were cancelled, (c) all commitments under the cost overrun facility were cancelled, and (d) a new Term Facility B was made available to Lydian Armenia.

Term Facility B is for a total amount of \$18.6 million and available to be drawn in multiple advances through the earlier of (i) June 30, 2019, (ii) the date on which the A&R Forbearance Agreement terminates, and (iii) the date of change of control of Lydian Armenia or Lydian (the "Term Facility B Maturity Date").

All amounts advanced in December 2018 and during 2019 were deemed to have been advanced under the Term Facility B and the remaining available balance under the Term Facility B was reduced accordingly. For future advances under Term Facility B, the applicable percentages shall be 48.08% in respect of Orion, 34.37% in respect of Osisko and 17.55% in respect of RCF.

Subject to the A&R Forbearance Agreement, each advance under the Term Facility B bears an interest rate of 15% per annum plus an additional 2% during the forbearance period. The default rate with respect to Term Facility B is 18.5% per annum.

Fourteenth Amendment to the Term Facility ("Fourteenth Amending Agreement")

On July 1, 2019, the Company entered the Fourteenth Amending Agreement whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B through the earlier of (i) September 30, 2019, (ii) the date on which the Second Amended and Restated Forbearance Agreement terminates, and (iii) the date of change of control.

Fifteenth Amendment to the Term Facility ("Fifteenth Amending Agreement")

On October 1, 2019, the Company entered the Fifteenth Amending Agreement whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B through the earlier of (i) December 20, 2019, (ii) the date on which the Second Amended and Restated Forbearance Agreement terminates, and (iii) the date of change of control.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

As of September 30, 2019, Term Facility and Term Facility B draws totaling \$152.0 million had been received.

Equipment Financing

The Company entered into three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these term facilities is limited to \$90.0 million. A summary of each term facility is below:

- The Ameriabank Term Facility has a maximum principal amount of \$24.0 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% (10.75% during the forbearance period for any due and postponed payments). All scheduled principal and interest payments have been postponed in accordance with the Forbearance Agreements. As of September 30, 2019, \$10.0 million was drawn on this facility. There were no principal or interest payments made during the nine months ended September 30, 2019. Effective July 1, 2019, no additional funds can be drawn under the Ameriabank Term Facility and the 2% commitment fee on any undrawn portion has been eliminated.
- The Cat Term Facility has a maximum principal amount of \$42.0 million and is secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5% (6.5% during the forbearance period) and there is a 1.5% commitment fee on any undrawn portion. Each advance is repayable over a 72-month term, inclusive of a six-month initial repayment grace period. As of September 30, 2019, \$28.4 million was drawn on this facility. Principal payments of \$3.0 million were made during the three-month period ended September 30, 2019. No additional funds can be drawn under the Cat Term Facility as the availability period has expired.
- The ING Term Facility has a maximum principal amount of \$50.0 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95% (4.95% during the forbearance period). All scheduled principal and interest payments have been postponed in accordance with the Forbearance Agreements. As of September 30, 2019, \$48.0 million was drawn on this facility. There were no principal or interest payments made during the nine months ended September 30, 2019. No additional funds can be drawn under the ING Term Facility as the availability period has expired.

8. FINANCIAL INSTRUMENTS

The Company recognized certain financial instruments relating to its financing agreements including the stream liability, debt and warrants as discussed in Note 7, Stream Liability and Debt. The classification of the offtake agreement and the stream commodity linked repayment follows the financing agreements. As of September 30, 2019, these were classified as current. The classification of the warrants follows their termination dates. As the Loan Fee – Warrants expired on May 25, 2019, there is no fair value as of September 30, 2019. The Forbearance Warrants are classified as noncurrent as of September 30, 2019. The net gains and losses of all these financial instruments are presented on the Unaudited Interim Condensed Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). None of these financial instruments are held for trading and the Company does not currently engage in hedge activities.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods:

	Derivative Assets (Liabilities)				Gain (Loss)
	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Warrants	
Fair Value Hierarchy Level ¹	3	3	3	2	
Fair value at December 31, 2017	\$ 2,789	\$ (27,028)	\$ (12,069)	\$ (332)	
Change in fair value	(499)	5,052	3,769	284	\$ 8,606
Fair value at December 31, 2018	\$ 2,290	\$ (21,976)	\$ (8,300)	\$ (48)	
Fair value at issuance	-	-	-	(1,973)	
Change in fair value	(2,290)	6,189	(4,147)	898	\$ 650
Fair Value at September 30, 2019	\$ -	\$ (15,787)	\$ (12,447)	\$ (1,123)	

Sensitivity impact upon fair value at September 30, 2019:

10% increase in gold price ²	N/A	\$ (1,579)	\$ (7,665)	N/A	\$ (9,244)
10% increase in silver price ²	N/A	N/A	\$ (838)	N/A	\$ (838)
10% increase in 3-month LIBOR rate ²	N/A	\$ 21	\$ 471	N/A	\$ 492

¹The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

²The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

Fair Value Measurement

Level 1 Fair Value Estimates - The fair value and carrying value of debt is the same for all reported periods.

Level 2 Fair Value Estimates – The fair value of the warrants was estimated using Level 2 criteria. The warrants issued in connection with the Term Facility (Loan Fee - Warrants) and the Second A&R Forbearance Agreement (Forbearance Warrants) are not trading instruments, therefore, the use of a pricing model was deemed appropriate.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Inputs used for calculating the fair value of the warrants included:

	Forbearance - Warrants		Loan Fee - Warrants
	September 30, 2019	July 8, 2019	December 31, 2018
Warrants outstanding	27,782,460	27,782,460	5,000,000
Expected remaining life in years	4.77	5.00	0.40
Expected volatility - share price	83.1%	80.8%	126.5%
CAD Stock price per share on valuation date	\$0.10	\$0.15	\$0.16
CAD Exercise price	\$0.15	\$0.15	\$0.39
CAD Risk free interest rate	1.40%	1.41%	1.72%
CAD/USD Exchange rate	0.7553	0.7639	0.7348
Expected dividend per share	\$Nil	\$Nil	\$Nil

Level 3 Fair Value Estimates - Fair value of the derivatives, other than the warrants, were estimated using Level 3 criteria. The financial modeling techniques applied to these estimates are more complex, and require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates include:

	September 30, 2019	December 31, 2018
Gold spot price per ounce	\$ 1,466	\$ 1,278
Silver spot price per ounce	\$ 17	\$ 15
Gold Future Curve (2024) L1 market observable	\$ 1,581	\$ 1,482
10-year risk free interest rate	1.57%	2.74%
3-month LIBOR rate	2.12%	2.83%
Commodity Inflation (dates past published forward curves)	2.21%	2.78%
Expected Gold Volatility	11.32%	13.31%

The initial fair value of the stream liability, and the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, and similar debt yields of mining companies. Management believes that it is more likely than not that the third deposit under the A&R Stream Agreement will be exercised by the purchasers and therefore the stream prepayment option has nominal value as of September 30, 2019.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. The key inputs used include the gold price and volatility, and the quotational period.

The stream commodity linked repayment is modeled as a swap. A swap has a zero-fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change. The key input was the gold price.

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period as shown in the table above.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

9. PROVISIONS

Current – Contract closure provision

The Company has a long-term operating contract with remaining commitments of \$3.1 million, that it expects to settle for an agreement to pay \$1.3 million or less within the next nine months.

Noncurrent - Reclamation provision

The provision for reclamation represents the present value of estimated future outflow of economic benefits that will be required to restore and rehabilitate Amulsar. The provision recognized as of September 30, 2019 related only to the rehabilitation of Amulsar mine areas affected by exploration and development activities.

Balance at December 31, 2017	\$	8,086
Change in timing of cashflows		(853)
Accreting and unwinding of discount		901
Foreign currency exchange		3
Balance at December 31, 2018	\$	8,137
Change in timing of cashflows		(1,161)
Change in inflation rate		(1,272)
Accreting and unwinding of discount		548
Foreign currency exchange		109
Balance at September 30, 2019	\$	6,361

10. LEASE LIABILITIES

	September 30, 2019	December 31, 2018
Additions under adoption of IFRS 16	\$ 423	\$ -
Lease payments	(182)	-
Amortization of discount	47	-
Foreign currency exchange	3	-
Balance at September 30, 2019	\$ 291	\$ -

These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 17% as of January 1, 2019. According to IFRS 16, each lease payment is allocated between the lease liability and the finance cost. The finance cost, or amortization of the discount on the lease liability, is charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss).

The Company has considered the net present value of the following lease payments when calculating the lease liability on January 1, 2019:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

- Where a lease contains an extension option, the lease payments for the extension period were included in the calculation of the lease liability if the Company was reasonably certain that it would exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

No adjustments were required upon adoption of IFRS 16 for finance leases as the Company did not have any leases previously classified as such as of December 31, 2018.

On adoption of IFRS 16 on January 1, 2019 the right-of-use assets were measured at an amount equal to the lease liability, adjusted for lease deposits and accrued rent.

The current and noncurrent lease liabilities are shown in the table below:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Current portion of lease liability	\$ 203	\$ -
Non-current portion of lease liability	88	-
Balance at September 30, 2019	<u>\$ 291</u>	<u>\$ -</u>

The total lease liability recognized as at January 1, 2019 was \$0.4 million. The current portion of the lease liability is included with accounts payable and other current liabilities in the Consolidated Statement of Financial Condition. Interest expense on lease liabilities is now included within dislocation-related expenses and other expense (income), net in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). Cash payments for the interest and principal portions of lease liabilities are shown as cash flows from financing activities in the Consolidated Statements of Cash Flows.

Until the end of 2018, payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease and thus operating lease payments were fully included in calculations of earnings per share. On adoption of IFRS 16, only depreciation charged from right-of-use assets and interest expense on lease liabilities are now included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and are included in calculations of basic and diluted earnings per share. Although there were these differences in accounting treatment as a result of adoption of IFRS 16, the adoption of IFRS 16 resulted in no change in the Company's basic and diluted earnings per share for the nine-month period ended September 30, 2019.

Short-term lease payments and payments for leases of low-value assets are not included in the measurement of lease liabilities and are not shown in the Consolidated Statements of Financial Position in accordance with IFRS 16. These payments are shown within general and administrative expense or dislocation-related expense, depending on the lease, and within the operating activities section of the Consolidated Statements of Cash Flows.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Practical expedients applied

In applying IFRS 16 for the first time, the Company has considered the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- The exclusion of low value leases (i.e., those with a value of less than \$5,000);
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and International Financial Reporting Interpretations Committee ("IFRIC") 4 *Determining whether an Arrangement contains a Lease*.

The significant judgements, estimates, and assumptions made by management applied in the preparation of these financial statements, specifically as they relate to IFRS 16 *Leases*, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets covered under leases, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgements, estimates, and assumptions over both of these factors would affect the present value of the lease liabilities upon adoption of IFRS 16, as well as the associated value of the right-of-use assets.

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the Consolidated Statements of Financial Position date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

	Less than 6 Months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Total Contractual Cash Flows	Carrying amount
Lease liabilities	\$ 123	\$ 123	\$ 92	\$ 3	\$ 341	\$ 291

The difference between the total contractual undiscounted cash flows related to lease payments to vendors and lessors and the carrying amount of the lease liability is the discount related to the lease liability.

11. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

	Number	Value
Shares outstanding, December 31, 2017	751,964,633	\$ 283,594
Shares issued under RSU Plan	4,203,900	1,265
Amount attributable to expired options	-	65
Shares outstanding, December 31, 2018	756,168,533	\$ 284,924
Shares issued under RSU Plan	3,848,488	1,150
Shares outstanding, September 30, 2019	760,017,021	\$ 286,074

The Company's warrants consist of the Forbearance Warrants, which expire on July 8, 2024. Certain warrants issued by the Company in 2016 expired in May 2019. The total outstanding warrants are shown below:

	Number of Warrants	Exercise Price (CAD)
Balance as of December 31, 2017	5,000,000	\$ 0.39
Exercised	-	-
Expired	-	-
Balance at December 31, 2018	5,000,000	\$ 0.39
Issued	27,782,460	0.15
Expired	(5,000,000)	(0.39)
Balance at September 30, 2019	27,782,460	\$ 0.15

12. SHARE-BASED COMPENSATION

Restricted Stock Unit Plan

The following table summarizes the outstanding restricted share units under the employee RSU Plan:

	Number of RSUs	Weighted Average Award Price (CAD)
Balance as of December 31, 2017	10,131,764	\$ 0.37
Granted	9,223,789	0.43
Forfeited/Expired	(4,704,285)	0.40
Redeemed	(4,203,900)	0.38
Balance at December 31, 2018	10,447,368	\$ 0.40
Forfeited/Expired	(2,624,170)	0.41
Redeemed	(3,848,488)	0.40
Balance at September 30, 2019	3,974,710	\$ 0.39

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

Stock Option Plan

	Number of Options	Weighted Average Exercise Price (CAD)
Balance as of December 31, 2017	5,570,000	\$ 0.83
Expired	(270,000)	0.50
Balance as of December 31, 2018	5,300,000	\$ 0.84
Expired	(3,670,000)	0.98
Balance as of September 30, 2019	1,630,000	\$ 0.52

The following summarizes the outstanding and exercisable share options under the employee share option plan as of September 30, 2019:

Range of exercise prices	Outstanding and exercisable options		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price (CAD)
(CAD\$0-\$1.00)	1,630,000	0.71	\$ 0.52
(CAD\$1.01-\$2.00)	-	-	-
	1,630,000	0.71	\$ 0.52

For share-based compensation, during the three and nine-months ended September 30, 2019 \$nil and \$nil (2018: nil and \$0.6 million) were included in employee benefits expense. For the same periods \$nil and \$(0.2) million (2018: \$nil and \$nil) were included in dislocation-related expense. During the nine months ended September 30, 2019 and 2018 \$nil and \$0.6 million were capitalized to development assets, respectively.

13. DISLOCATION-RELATED EXPENSE

Following the change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These protests primarily targeted the mining sector, including the Amulsar project. Access to Amulsar has been continuously blocked since June 2018. During the three and nine-months ended September 30, 2019 dislocation-related expense consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest and financing costs	\$ 13,973	\$ 9,268	\$ 41,764	\$ 9,268
Other (Indirects/Site G&A)	2,597	2,927	5,356	2,927
Depreciation and Accretion	1,753	1,487	5,287	1,487
Labor costs	917	6,678	4,056	6,678
Legal & Consulting	1,029	664	3,052	664
Standby, demobilization & winterization	-	128	820	128
	\$ 20,269	\$ 21,152	\$ 60,335	\$ 21,152

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

14. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other compensation	\$ 402	\$ 769	\$ 1,407	\$ 3,051
Share-based compensation	49	61	28	673
	<u>\$ 451</u>	<u>\$ 830</u>	<u>\$ 1,435</u>	<u>\$ 3,724</u>

15. IMPAIRMENT OF MINERAL PROPERTY, PLANT AND EQUIPMENT

In accordance with the Company's accounting policy, non-current assets, including the Amulsar development asset, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized when the carrying amount exceeds the recoverable amount.

At March 31, 2019, the Company determined that the recoverable amount of the Amulsar Gold Project was less than the carrying value. The recoverable amount was determined as the fair value less costs of disposal, using a discounted cash flow model, as such, the Company recognized an additional impairment loss of \$28.0 million.

The discounted future cash flow model includes management's estimates for the timing of future cash flows. Key assumptions include initial capital expenditures, future operating costs, future sustaining capital expenditures, recoverable reserves, timing of future production, discounted at the appropriate rate. The primary driver for the additional impairment loss was an additional delay in the commercial production start date compared to the start date expected as of December 31, 2018, resulting from the events disclosed in Note 1. Key assumptions for the impairment testing include:

- Discount rate of 17%
- Gold price \$1,300
- Silver price \$16

16. NET LOSS PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net loss	\$ (22,071)	\$ (15,147)	\$ (91,054)	\$ (14,890)
Weighted average shares - basic and dilutive	760,017,021	755,633,452	757,710,758	754,987,889
Net loss per share - basic and dilutive	\$ (0.03)	\$ (0.02)	\$ (0.12)	\$ (0.02)

The treasury stock method assumes that all stock options and restricted stock units have been converted in determining fully diluted profit (loss) per share if they are in the money, except when such conversion is anti-dilutive.

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

17. RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Company is Lydian International Limited. No individual party had overall control of the Company during the periods being presented. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related party transactions primarily consist of compensation paid to members of the Board and executive management personnel. The compensation is comprised of Board fees, employee salaries, share-based long-term incentive plans, employee benefits and pension costs. One member of the Board has a contractual entitlement with the Company for payment of the remainder due of an annual retainer in the event the director's appointment is terminated other than for cause. None of the Board members are entitled to any other termination benefits, nor are they entitled to pension benefits.

Compensation awarded to key management was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other compensation	\$ 348	\$ 411	\$ 2,238	\$ 1,756
Share-based compensation	23	68	111	573
	<u>\$ 371</u>	<u>\$ 479</u>	<u>\$ 2,349</u>	<u>\$ 2,329</u>

On August 9, 2019, a non-material subsidiary of the Company entered into a one-year, interest free loan for \$0.1 million with a party related to a member of executive management. As of September 30, 2019, the loan is classified as accounts payable and other current liabilities.

18. COMMITMENTS

Construction contracts

The Company had entered into various contracts for purchase of equipment and supply, construction, and other service associated with Amulsar. Due to the blockades, all of the construction contractors were terminated or suspended.

Leases

Land Leases

The Company has multiple contracts for land use related to non-regenerative minerals at its Amulsar Gold Project which are outside of the scope of IFRS 16, *Leases*. The contracts are with three communities, Zaritap, Gorayq and Jermuk. All the contracts are either within close proximity to the mine site, or within the rock allocation area. These lands are necessary for the exploration or extraction of the mineralization at Amulsar. As of September 30, 2019, the Company had \$11.6 million in land use obligations, of which \$0.9 million are

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

due in under one year, \$3.7 million in more than one year, but less than five years, and \$7.0 million in more than five years.

Software Leases

The Company leases its accounting software through a software-as-a-service contract which is outside the scope of IFRS 16, *Leases*. The lease is \$0.1 million a year and expires in March 2022. Currently the Company is renegotiating the terms of this lease.

Rehabilitation payments

In May 2016, Lydian Armenia signed an amended Mining Right with the Ministry of Energy, Infrastructure and Natural Resources of Armenia. Under the agreement, Lydian Armenia makes annual payments to the Armenian government as a guarantee for post-mining environmental rehabilitation and for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD 121.9 million, or \$0.3 million over thirteen years commencing in 2016. In addition, Lydian Armenia is committed to invest annually AMD 61.0 million, or \$0.1 million after mine closure for workforce social mitigation and AMD 61.5 million, or \$0.1 million for adjacent communities' social-economic development. The rehabilitation guarantee will be refunded to the Company after mine closure when rehabilitation is completed and accepted by the Armenian government. For additional detail see Note 9.

19. CONTINGENCIES

Contingent quarterly payment

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% net smelter royalty ("NSR"). However, as provided for in the purchase agreement, on April 9, 2018 Lydian exercised its option to terminate the 3% NSR, and in lieu thereof, elected the quarterly payment option to pay Newmont the aggregate sum of \$20.0 million, without interest, in 20 equal quarterly installments of \$1.0 million each, commencing on the first day of the third calendar month following the start of commercial production. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont. These potential payments do not meet the definition of an obligation as the triggering event had not occurred as of September 30, 2019 and, therefore, are not recognized in the unaudited interim condensed consolidated financial statements.

Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by the tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create substantially more tax risks in Armenia than in other developing countries. The Company believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, however, the relevant authorities may have differing interpretations and the effects could be significant.

Environmental matters

The Company is of the opinion that it has met the Government of Armenia's requirements concerning environmental matters and, therefore, believes that the Company has adequately provided for environmental

LYDIAN INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

liabilities. However, environmental legislation in Armenia is in the process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

20. SUBSEQUENT EVENTS

Amendments to existing agreements

Third A&R Forbearance Agreement

On October 1, 2019 the Company entered into the Third Amended and Restated Forbearance Agreement with its senior lenders, stream financing providers and equipment financiers. For additional detail see Note 7.

Fourth A&R Forbearance Agreement

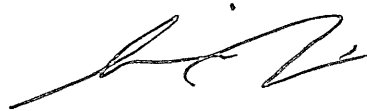
On October 14, 2019 the Company entered into the Fourth Amended and Restated Forbearance Agreement with its senior lenders, stream financing providers and equipment financiers. For additional detail see Note 7.

Fifteenth Amending Agreement

On October 1, 2019, the Company entered the Fifteenth Amendment to the Term Facility whereby the availability period and the maturity date of the Term Facility B were extended to December 20, 2019. For additional detail see Note 7.

EXHIBIT "H"

THIS IS EXHIBIT "H", referred to in the Affidavit of EDWARD A. SELLERS, sworn on December 22, 2019.



Commissioner for Taking Affidavits

**AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT
(GOLD AND SILVER)**

LYDIAN INTERNATIONAL LIMITED

as a Guarantor

– and –

**LYDIAN ARMENIA CJSC
(FORMERLY, GEOTEAM CJSC)**

as Seller

– and –

**OSISKO BERMUDA LIMITED (AS SUCCESSOR TO ORION CO IV (SO) LIMITED),
RESOURCE CAPITAL FUND VI L.P. AND EACH OF THE OTHER PURCHASERS
FROM TIME TO TIME PARTY HERETO**

as Purchasers

– and –

**OSISKO BERMUDA LIMITED
(AS SUCCESSOR TO ORION CO IV (SO) LIMITED)**

as Purchasers' Agent

January 15, 2019

TABLE OF CONTENTS

	Page
ARTICLE 1 INTERPRETATION.....	2
1.1 Definitions.....	2
1.2 Certain Rules of Interpretation.....	32
1.3 Accounting Principles.....	33
1.4 Interest Act.....	33
1.5 Maximum Rate of Interest.....	33
1.6 No Subordination.....	34
1.7 Jersey Terms.....	34
1.8 Schedules.....	35
ARTICLE 2 PURCHASE AND SALE.....	36
2.1 Purchase and Sale of Refined Gold and Refined Silver.....	36
2.2 Product Specifications.....	36
2.3 Delivery Obligations.....	37
2.4 Delivery Notifications and Invoicing.....	37
2.5 Gold Purchase Price.....	38
2.6 Silver Purchase Price.....	39
2.7 Payment.....	39
2.8 Reduction Election.....	39
ARTICLE 3 DEPOSIT PAYMENT.....	40
3.1 Deposit.....	40
3.2 Use of Deposit.....	42
3.3 Conditions Precedent to First Deposit in Favour of the Purchaser.....	43
3.4 Conditions Subsequent to First Deposit in Favour of the Purchaser.....	45
3.5 Conditions Precedent to Second Deposit in Favour of the Purchaser.....	46
3.6 Delivery of Documentation to Purchasers.....	48
3.7 Satisfaction of Conditions Precedent.....	48
3.8 Intentionally Deleted.....	48
3.9 Obligation to Complete Private Placement.....	48
ARTICLE 4 TERM.....	50
4.1 Term.....	50
4.2 Survival.....	50
ARTICLE 5 REPORTING; BOOKS AND RECORDS; INSPECTIONS.....	51
5.1 Operations Reports.....	51
5.2 Financial Reports.....	51
5.3 Other Reports.....	51
5.4 Copies of Project Documents.....	51
5.5 Notice of Project Milestones.....	52
5.6 Notice of Adverse Impact.....	52
5.7 Provision of Reports.....	53
5.8 Books and Records.....	53

TABLE OF CONTENTS
(continued)

	Page
5.9 Inspections	55
ARTICLE 6 COVENANTS	55
6.1 Conduct of Operations	55
6.2 Processing; Commingling	56
6.3 Certain Corporate Standards	57
6.4 Preservation of Corporate Existence; Location of Assets.....	58
6.5 Maintenance of Property; Encumbrances	59
6.6 Insurance	60
6.7 Certain Negative Covenants	61
6.8 Confidentiality	63
6.9 IFC Participation	65
ARTICLE 7 TECHNICAL COMMITTEE	65
7.1 Establishment of Technical Committee	65
7.2 Responsibilities	66
7.3 Meeting Procedures	67
ARTICLE 8 TRANSFERS OF INTERESTS	68
8.1 Prohibition on Sale of Production Interests	68
8.2 Prohibition on Transfers and Change of Control	68
8.3 Permitted Transfers and Changes of Control.....	68
8.4 Abandonment.....	73
ARTICLE 9 SECURITY	73
9.1 Closing Date Security	73
9.2 First Stage Security	74
9.3 Second Stage Security.....	74
9.4 Other Blocked Account Agreements	75
9.5 Additional Security from New Subsidiaries	75
9.6 Further Assurances – Security	75
9.7 Security Effective Notwithstanding Date of Deposits	76
9.8 No Merger	76
9.9 Release of Security	76
9.10 Stockpiling	77
9.11 Intercreditor Agreements	77
9.12 Agreement to Subordinate	77
ARTICLE 10 REPRESENTATIONS AND WARRANTIES.....	77
10.1 Representations and Warranties of Lydian and the Seller	77
10.2 Representations and Warranties of the Purchaser.....	78
10.3 Survival of Representations and Warranties.....	78
10.4 Knowledge	78

TABLE OF CONTENTS

(continued)

	Page
ARTICLE 11 SELLER EVENTS OF DEFAULT	78
11.1 Events of Default	78
11.2 Remedies.....	81
ARTICLE 12 PURCHASER EVENTS OF DEFAULT	82
12.1 Events of Default	82
12.2 Replacement Purchaser	82
12.3 Remedies.....	83
ARTICLE 13 THE PURCHASERS AND THE PURCHASERS' AGENT	84
13.1 Decision-Making.....	84
13.2 Purchasers' Obligations Several; No Partnership.....	85
13.3 Credit Facility Intercreditor Agreement.....	85
13.4 Purchasers' Agent	85
13.5 Sharing of Information.....	86
13.6 Amendments to this Article	86
13.7 Adjustments Among Purchasers	86
ARTICLE 14 ADDITIONAL PAYMENT TERMS	87
14.1 Payments	87
14.2 Taxes	87
14.3 Overdue Payments	88
14.4 Set-Off.....	88
ARTICLE 15 INDEMNITIES	89
15.1 Indemnity of Lydian and the Seller	89
15.2 Indemnity of Purchasers	89
15.3 Non-Party Indemnified Persons.....	90
ARTICLE 16 THIRD DEPOSIT DATE AMENDMENTS	90
16.1 Amendments	90
ARTICLE 17 GENERAL	92
17.1 Disputes and Arbitration	92
17.2 Further Assurances.....	93
17.3 No Joint Venture	93
17.4 Governing Law	93
17.5 Notices	94
17.6 Press Releases	95
17.7 Amendments	95
17.8 Beneficiaries	95
17.9 Entire Agreement; Amendment and Restatement.....	95
17.10 Waivers	96

TABLE OF CONTENTS
(continued)

	Page
17.11 Assignment	96
17.12 Severability	98
17.13 Costs and Expenses.....	99
17.14 Counterparts	99

THIS AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT dated as of January 15, 2019.

BETWEEN:

LYDIAN INTERNATIONAL LIMITED, a company existing under the laws of Jersey (“Lydian”)

– and –

LYDIAN ARMENIA CJSC (FORMERLY, GEOTEAM CJSC), a closed joint stock company formed under the laws of the Republic of Armenia (the “Seller”)

– and –

OSISKO BERMUDA LIMITED (AS SUCCESSOR TO ORION CO IV (SO) LIMITED), RESOURCE CAPITAL FUND VI L.P. AND EACH OF THE PURCHASERS FROM TIME TO TIME PARTY HERETO

– and –

OSISKO BERMUDA LIMITED (AS SUCCESSOR TO ORION CO IV (SO) LIMITED), an exempted company formed under the laws of Bermuda, in its capacity as the Purchasers’ Agent

WITNESSES THAT:

WHEREAS the Seller, an indirect, wholly-owned Subsidiary of Lydian, is the sole owner of the Project Real Property, and is currently developing the Project;

AND WHEREAS the Seller agreed to sell to the Purchasers, and the Purchasers agreed to purchase from the Seller, Refined Gold and Refined Silver produced from the Project Real Property, subject to and in accordance with the terms and conditions of a purchase and sale agreement dated as of November 30, 2015, as amended by a first amending agreement dated March 11, 2016, a second amending agreement dated August 30, 2016, a third amending agreement dated June 30, 2017 and a fourth amending agreement dated September 28, 2018 (the “Original Purchase and Sale Agreement”);

AND WHEREAS the parties have agreed to amend and restate the Original Purchase and Sale Agreement;

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, the Parties mutually agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

For the purposes of this Agreement (including the recitals hereto and the Schedules), unless the context otherwise requires, the following terms shall have the respective meanings given to them, as set out below, and grammatical variations of such terms shall have corresponding meanings:

“Acquisition” means, with respect to any Person, any purchase or other acquisition by such Person, regardless of how accomplished or effected (including any such purchase or other acquisition effected by way of amalgamation, merger, arrangement, business combination or other form of corporate reorganization or by way of purchase, lease or other acquisition arrangements), of: (a) any other Person (including any purchase or acquisition of such number of the issued and outstanding securities of, or such portion of an equity interest in, such other Person so that such other Person becomes a Subsidiary of the purchaser or of any of its Affiliates) or of all or substantially all of the property of any other Person, or (b) any division, business, project, operation or undertaking of any other Person or of all or substantially all of the property of any division, business, project, operation or undertaking of any other Person.

“Affiliate” means, with respect to any Person, any other Person which directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person.

“Aggregate Gold Quantity” means 142,454 ounces of Refined Gold, subject to reduction in accordance with Section 2.8.

“Aggregate Silver Quantity” means 694,549 ounces of Refined Silver, subject to reduction in accordance with Section 2.8.

“Agreement” means this amended and restated purchase and sale agreement and all attached schedules, in each case as the same may be amended, restated, amended and restated, supplemented, modified or superseded from time to time in accordance with the terms hereof.

“AML Legislation” means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Proceeds of Crime (Jersey) Law 1999*, the *Terrorism (Jersey) Law 2002* and the *Money Laundering (Jersey) Order 2008* (Jersey), *Armenian law “On Combating Money Laundering and Terrorism Financing”* and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know your client” Applicable Laws, whether within Canada or Jersey, to the extent applicable to any Lydian Group Member, elsewhere, including any regulations, guidelines or orders thereunder.

“Annual Compliance Certificate” means a certificate signed by an authorized senior officer of each of Lydian and the Seller, the form of which is attached to this Agreement as Schedule A.

“Annual Forecast Report” means a written report in relation to a fiscal year with respect to the Project, to be prepared by or on behalf of the Seller, including with reasonable detail:

- (i) the amount and a description of planned exploration, including a breakdown by exploration target;
- (ii) the amount and a description of planned development, operating and capital expenditures (excluding exploration expenditures);
- (iii) a forecast, based on the then current Mine Plan, for such fiscal year on a month-by-month basis and over the remaining life of the mine on a year-by-year basis of:
 - (A) the tonnes and grade of Minerals to be mined;
 - (B) the tonnes and grade of Minerals to be stockpiled; and
 - (C) the tonnes and grade of Minerals to be processed, and expected recoveries for gold, silver and other types of marketable minerals.

“Annual Operations Report” means a written report prepared by or on behalf of the Seller in relation to a fiscal year, which report shall include all material information pertaining to the development or operations of the Project, including the following information for such year:

- (i) the tonnes and grade of Minerals mined during such year;
- (ii) the tonnes and grade of Minerals stockpiled during such year (and the total stockpile at the end of such year);
- (iii) the tonnes and grade of Minerals processed during such year and recoveries for gold, silver, and other types of marketable minerals;
- (iv) the number of ounces of gold and silver outturned by the Refinery during such year;
- (v) the estimated number of ounces of gold and silver contained in Minerals processed as of the end of such year that have not yet been delivered to or outturned by the Refinery;
- (vi) a statement setting out the mineral reserves and mineral resources (by category) prepared in accordance with National Instrument 43-101 (with

the assumptions used, including cut-off grade, metal prices and metal recoveries) as of the end of such year;

- (vii) a review of the exploration, development and operating activities for such year, including:
 - (A) the amount and a description of exploration expenditures, including a breakdown by exploration target, and variances from projected exploration expenditures, and a report on the result of exploration activities conducted during such year, including all geological, geophysical, geochemical, sampling, drilling, trenching, analytical testing assaying, mineralogical, metallurgical and other similar information, including maps, charts and surveys;
 - (B) the amount and a description of operating and capital expenditures (excluding exploration expenditures) and variances from projected operating and capital expenditures;
 - (C) a report on any material issues or departures from that contemplated by the Mine Plan, as applicable as of the first day of such year;
 - (D) any actual or expected adverse impact on development or production or recovery of gold or silver, whether as to quantity or timing, together with the details of the plans to resolve or mitigate such matters; and
 - (E) if applicable, the percentage completion compared to the Mine Plan of the major elements of construction and the anticipated, Production Start Date, Commercial Production Date and/or Completion Date, if they have not yet then occurred; and
- (viii) details of any material health or safety violations and/or material violations of any Applicable Laws, or any material non-compliance with Environmental and Social Requirements, the HSEC Policy or the Anti-Corruption Policy.

The Annual Operations Report shall also contain a report on any Encumbrances placed on the Collateral securing amounts greater than \$1,000,000 in the aggregate, other than the Security.

“Anti-Corruption Laws” means the *Corruption of Foreign Public Officials Act* (Canada), the *United Kingdom Bribery Act 2010*, the *Corruption (Jersey) Law 2006* (Jersey) and the *United States Foreign Corrupt Practices Act of 1977*, and all other laws, rules, and regulations of any jurisdiction applicable to any Lydian Group Member from time to time concerning or relating to bribery or corruption.

“Anti-Corruption Policy” means the anti-bribery and anti-corruption policy of the Lydian Group Members adopted by the Board, as the same may be amended, revised, supplemented or replaced from time to time in accordance with this Agreement.

“Applicable Law” means any law (including common law and equity), any international or other treaty, any domestic or foreign constitution or any multinational, federal, provincial, territorial, state, municipal, county or local statute, law, ordinance, code, rule, regulation, Order (including any securities laws or requirements of stock exchanges and any consent, decree or administrative Order), or Authorization of a Governmental Body in any case applicable to any specified Person, property, transaction or event, or any such Person’s property or assets.

“Arbitration Rules” means the International Arbitration Rules of the International Centre for Dispute Resolution.

“Armenian Equipment Agreement” means the principal agreement, dated November 17, 2016, between Ameriabank Closed Joint-Stock Company and the Seller.

“Armenian Share Pledge Condition” has the meaning set out in Section 3.3(l).

“Associate” has the meaning ascribed to such term in the *Securities Act* (Ontario), as in effect on the date of this Agreement.

“Authorization” means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Body having jurisdiction with respect to any specified person, property, transaction or event, or with respect to any of such person’s property or business and affairs (including any zoning approval, mining permit, development permit or building permit) or from any Person in connection with any easements, contractual rights or other matters.

“Board” means the board of directors of Lydian.

“Business Day” means any day, other than a Saturday, Sunday or statutory holiday in any one of New York City, New York, Hamilton, Bermuda, St Helier, Jersey, or Yerevan, Armenia, or a day on which banks are generally closed in any one of those cities.

“BVI Pledge Agreements” means, collectively, (i) the charge over shares between Lydian, Lydian International Holdings Limited and the Collateral Agent with respect to Lydian’s equity interests in Lydian International Holdings Limited, (ii) the charge over shares between Lydian International Holdings Limited, Lydian Resources Armenia Limited and the Collateral Agent with respect to Lydian International Holdings Limited’s equity interests in Lydian Resources Armenia Limited, and (iii) the charge over shares between Lydian Holdings International Limited, Lydian Resources Kosovo Limited and the Collateral Agent with respect to Lydian Holdings International Limited’s equity interests in Lydian Resources Kosovo Limited.

“Change of Control” of a Person (the “subject person”) means the consummation of any transaction, including any consolidation, arrangement, amalgamation or merger or any issue, Transfer or acquisition of securities, the result of which is that any other Person or group of other persons acting jointly or in concert for purposes of such transaction acquires control, directly or indirectly, of the Subject Person.

“Closing Date” means December 4, 2015, or such later date on which all of the conditions in Section 3.3 have been satisfied or waived.

“Closing Date Security Documents” means the Security Documents described in Section 9.1.

“Collateral” means the Project Property and the presently held and future acquired undertaking, property and assets of the Seller and each Guarantor charged or intended to be charged pursuant to the Security Documents, unless and until released (in respect of certain of the Lydian Group Members) in accordance with Section 9.9, provided that Project Property that is subject to the Equipment Financing shall at all times be subject to the Equipment Financing Intercreditor Agreements.

“Collateral Agent” means Orion Co IV (ED) Limited, in its capacity as collateral agent for the Purchasers hereunder and for the lenders under the Credit Facility as appointed pursuant to the Credit Facility Intercreditor Agreement, or any successor Collateral Agent appointed thereunder.

“Commercial Production Date” means the last day of the first period of 30 consecutive days during which the Project achieves a production rate of at least 60% of capacity (as set forth in the Mine Plan) and meets certain other criteria, all as set forth, monitored and certified by the Independent Engineer in a certificate, the form of which is attached to this Agreement as Schedule B.

“Commitment” means, with respect to any Purchaser, the amount of the Deposit funded, or to be funded by, or otherwise attributable to, such Purchaser, as set out beside such Purchaser’s name in Schedule C, as amended from time to time in accordance with this Agreement.

“Completion Date” means the last day of the first period of 60 consecutive days during which the Project achieves a production rate of at least 85% of capacity (as set forth in the Mine Plan) and meets certain other criteria, all as set forth, monitored and certified by the Independent Engineer in a certificate, the form of which is attached to this Agreement as Schedule D; provided, however, that the Completion Date shall be deemed to have not occurred unless Lydian has complied with its obligations under Section 5.5(b).

“Concurrent Public Offering” means the public offering of subscription receipts, exchangeable into ordinary shares and ordinary share purchase warrants of Lydian, for aggregate gross proceeds of not less than \$25,000,000, to be completed by Lydian in conjunction with the Private Placement.

“Confidential Information” has the meaning set out in Section 6.8(a).

“Construction Budget” means the budget for the construction of the Project as approved by the Board, the most recent version of which is set forth at Schedule E, as the same may be amended, revised, supplemented or replaced from time to time in accordance with the terms of this Agreement.

“Contract” means any agreement, contract, lease, licence, concession, option, indenture, mortgage, deed of trust, debenture, note or other instrument, arrangement, understanding or commitment, whether written or oral.

“Control” means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

“Corrective Action Plan” means a plan to correct and remedy all non-compliance by the Project with any applicable Environmental and Social Requirements or the HSEC Policy and any adverse effects resulting from same.

“Credit Agreement” means the credit agreement dated November 30, 2015 between the lenders thereto and the Seller providing for the Credit Facility, as the same has been amended from time to time and may be further amended, restated, amended and restated, supplemented, modified or superseded from time to time.

“Credit Facility” means collectively the loan facilities provided for by the Credit Agreement making \$141,795,765.25 of construction and development financing for the Project available to the Seller, as the same may be further increased, decreased or otherwise modified from time to time.

“Credit Facility Intercreditor Agreement” means the intercreditor agreement to be entered into among the Administrative Agent, on behalf of the lenders under the Credit Facility, the Purchasers’ Agent on behalf of the Purchasers, the Collateral Agent and the Lydian Group Members.

“Date of Delivery” has the meaning set out in Section 2.3(a).

“Debt” means, at any time, with respect to any Person on a consolidated basis with its Subsidiaries, without duplication and without regard to any interest component thereof (whether actual or imputed) that is not due and payable, the aggregate of all the liabilities of that Person at that time that according to IFRS are required to appear in that Person’s financial statements including the following amounts, each calculated in accordance with IFRS:

- (i) all obligations, including by way of overdraft and drafts or orders accepted representing extensions of credit, that would be considered to be indebtedness for borrowed money, and all obligations, whether or not with respect to the borrowing of money, that are evidenced by bonds, debentures, notes or other similar instruments;
- (ii) the face amount of all bankers’ acceptances and similar instruments;

- (iii) all liabilities upon which interest charges are customarily paid by that Person, other than liabilities for Taxes;
- (iv) any capital stock of that Person, or of any Subsidiary of that Person, which capital stock, by its terms or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder, or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part;
- (v) all Finance Lease Obligations, synthetic lease obligations, obligations under Sale-Leasebacks and Purchase Money Obligations;
- (vi) the amount of all contingent liabilities in respect of letters of credit and similar instruments;
- (vii) accounts payable and accruals that are over 120 days past due (except to the extent being contested in good faith);
- (viii) contingent liabilities in respect of performance bonds, surety bonds and product warranties, and any other contingent liability, in each case only to the extent that the contingent liability is required by IFRS to be treated as a liability on a balance sheet of the Person contingently liable; and
- (ix) the amount of the contingent liability under any Guarantee in any manner of any part or all of an obligation of another Person of the type included in items (i) through (viii) above.

“**Defaulting Purchaser**” has the meaning set out in Section 12.1.

“**Deposit**” has the meaning set out in Section 3.1(a).

“**Deposit Reduction Date**” means the date on which the Deposit is reduced to nil in accordance with this Agreement.

“**Designated Gold Percentage**” means, in respect of each Outturn, 6.75% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery, subject to reduction in accordance with Section 2.8.

“**Designated Silver Percentage**” means, in respect of each Outturn, 100% of the number of ounces of Refined Silver produced from Minerals and credited to the Seller by the Refinery, subject to reduction in accordance with Section 2.8.

“**Early Termination Amount**” means, at any time, an amount equal to the sum of the amounts calculated separately in respect of each of the First Deposit, Second Deposit and Third Deposit using the following formula:

$$A \times (1 + B)^{C/12}$$

where:

“A” is equal to amount of the Uncredited Balance attributable to such Deposit at such time (with the amount to be attributed to such Deposit based on a last-in, first-out method of accounting, such that amounts credited against the Deposit are credited against the Third Deposit first);

“B” is equal to 15%; and

“C” is equal to the number of full months having elapsed between the funding of such Deposit and the payment in full of the Early Termination Amount.

“**EHS Guidelines**” means the World Bank Group Environmental, Health and Safety Guidelines (April 2007) and Environmental, Health and Safety Guidelines for Mining (December 2007), as amended, supplemented or superseded from time to time.

“**Eligible Transferee**” means either:

- (i) a Person that has sufficient financial resources and technical and operational capability to continue the development and operation of the Project in a manner that provides reasonable assurance that the Project will be developed and operated in a commercially reasonable manner and in accordance with the Material Project Agreements, all Applicable Laws, Project Authorizations, Other Rights, Environmental and Social Requirements, Good Industry Practice, the Mine Plan and otherwise in accordance with this Agreement; or
- (ii) a Person whose obligations are fully and unconditionally guaranteed by a Person meeting the conditions in clause (i) above pursuant to an instrument in writing executed and delivered by such Person in favour of the Purchasers (in form and substance satisfactory to the Purchasers' Agent acting reasonably).

“**Encumbrance**” means any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, consignment, lease, hypothecation, security interest, including a purchase money security interest, or other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation.

“**Environmental and Social Laws**” means, collectively, Environmental Laws applicable to the Project, Applicable Laws related to Environmental or Social Matters and any specific agreements entered into with any Governmental Body which include commitments related to Environmental or Social Matters.

“**Environmental and Social Matters**” means those environmental and social aspects identified in the ESIA which are considered relevant to the Project.

“Environmental and Social Requirements” means, collectively, Environmental and Social Laws, the Performance Standards and the EHS Guidelines and any additional requirements necessary to comply with the Equator Principles.

“Environmental Laws” means all Applicable Laws relating to the protection of the environment, natural resources, human health, occupational safety, Hazardous Substances, the assessment of environmental and social impacts or the rehabilitation, reclamation and closure of lands used in connection with the Project.

“Equator Principles” means the Equator Principles - June 2013, developed by the Equator Principles Association, as amended, supplemented or superseded from time to time.

“Equipment Financing” means one or more committed equipment financing facilities in the aggregate principal amount of at least \$70,000,000 entered into by the Seller with one or more equipment financiers.

“Equipment Financing Intercreditor Agreements” means one or more intercreditor agreements to be entered into between an equipment financier under the Equipment Financing, the Collateral Agent and the Seller, in a form to be agreed and which shall be in accordance with the intercreditor principles attached hereto as Schedule F in relation to equipment financing.

“Equity Financing” means the equity financing of Lydian to be completed prior to or contemporaneously with the funding of the Second Deposit for aggregate gross proceeds of not less than \$102,600,000, to be comprised of the issuance of ordinary shares pursuant to the Private Placement and the issuance of ordinary shares and ordinary share purchase warrants pursuant to the Concurrent Public Offering.

“ESIA” means the Environmental and Social Impact Assessment prepared by the Seller for the Project and published in May 2015, together with all management plans required thereby, as the same may be amended, revised, supplemented or replaced from time to time.

“Excluded Taxes” has the meaning set out in Section 14.2(b).

“Execution Date” means November 30, 2015.

“FATCA” means Sections 1471 through 1474 of the Internal Revenue Code of 1986, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code of 1986.

“Finance Lease Obligation” means, for any Person, any payment obligation of such Person under an agreement for the lease, license or rental of, or providing such Person with the right to use, property that, in accordance with IFRS, is required to be capitalized.

“Financial Assistance” given by any Person (the “Financial Assistance Provider”) to or for the account or benefit of any other Person (the “Financial Assistance Recipient”) means any direct or indirect financial assistance of any nature, kind or description whatsoever (by means of loan, Guarantee or otherwise) of or from such Financial Assistance Provider, or of or from any other Person with recourse against such Financial Assistance Provider or any of its property, to or for the account or benefit of the Financial Assistance Recipient (including Investments in a Financial Assistance Recipient, Acquisitions from a Financial Assistance Recipient, and gifts or gratuities to or for the account or benefit of a Financial Assistance Recipient).

“Financial Statements” means the audited consolidated financial statements of Lydian as at and for the year ended December 31, 2014, including the notes thereto, together with the auditor’s report thereon, and the unaudited consolidated interim financial statements of Lydian for the three and nine-month periods ending September 30, 2015, which form part of the Public Disclosure Documents.

“First Deposit” has the meaning set out in Section 3.1(a)(i).

“First Stage Security Deadline” means the date which is one month from the Execution Date.

“First Stage Security Documents” means the Security Documents described in Section 9.2.

“Fixed Gold Price” means \$400.00 per ounce, subject to increase by 1.0% per annum (on a compounded basis) starting on the third anniversary of the Commercial Production Date (such amount to be rounded to four decimal places). For greater certainty, on the third anniversary of the Commercial Production Date the Fixed Gold Price shall be increased to \$404.0000 per ounce, on the fourth anniversary of the Commercial Production Date the Fixed Gold Price shall be increased to \$408.0400 per ounce and so on.

“Fixed Silver Price” means \$4.00 per ounce, subject to increase by 1.0% per annum (on a compounded basis) starting on the third anniversary of the Commercial Production Date (such amount to be rounded to four decimal places). For greater certainty, on the third anniversary of the Commercial Production Date the Fixed Silver Price shall be increased to \$4.0400 per ounce, on the fourth anniversary of the Commercial Production Date the Fixed Silver Price shall be increased to \$4.0804 per ounce and so on.

“Forbearance Agreement” has the meaning set out in the Credit Agreement.

“General Security Agreement” means an agreement pursuant to which the Seller or a Guarantor grants a security interest to the Purchasers in all of its presently held and future acquired Collateral.

“Gold Market Price” means, with respect to any day, the afternoon per ounce LBMA Gold Price in U.S. dollars quoted by the London Bullion Market Association (currently in partnership with ICE Benchmark Administration) for Refined Gold on such day or, if

such day is not a trading day, the immediately preceding trading day; provided that (i) if the LBMA Gold Price is no longer quoted by the London Bullion Market Association, the Gold Market Price shall be determined by reference to the price of Refined Gold in the manner endorsed by the London Bullion Market Association, or (ii) if the London Bullion Market Association ceases to be in operation, the Gold Market Price shall be determined by reference to the price of Refined Gold in the manner endorsed by the World Gold Council, failing which the Gold Market Price will be determined by reference to the price of Refined Gold on a commodity exchange mutually acceptable to the Seller and the Purchasers' Agent, each acting reasonably.

“Gold Purchase Price” has the meaning set out in Section 2.5.

“Good Industry Practice” means, in relation to any decision or undertaking, the exercise of that degree of diligence, skill, care, prudence, oversight, economy and stewardship which is commonly observed or would reasonably be expected to be observed by skilled and experienced professionals in the international mining industry engaged in the same type of undertaking under the same or similar circumstances and giving consideration to local and regional conditions and circumstances.

“Governmental Body” means any domestic or foreign federal, provincial, regional, state, municipal or other government, governmental department, agency, authority or body (whether administrative, legislative, executive or otherwise), court, tribunal, commission or commissioner, bureau, minister or ministry, board or agency, or other regulatory authority, including any securities regulatory authorities or stock exchange, and including the Ministry of Energy and Natural Resources of the Republic of Armenia.

“Guarantee” means, with respect to any person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any indebtedness, letter of credit, lease, dividend or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such person, or in respect of which such Person is otherwise directly or indirectly liable, including any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation (including keep-well covenants), or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the lender of such obligation will be protected against loss in respect thereof. The amount of any guarantee shall be equal to the outstanding principal amount of the obligation guaranteed or such lesser amount to which the maximum exposure of the guarantor shall have been specifically limited.

“Guarantee Release Date” means the date on which certain of the Guarantees and Security provided by the Lydian Group Members in connection herewith are released pursuant to Section 9.9.

“Guarantors” means, collectively, (i) prior to the Completion Date, Lydian and each of its Subsidiaries (other than the Seller), and (ii) thereafter, Lydian and any PSA Entity and **“Guarantor”** means any one of them, as the context may require. As of the date hereof, the Guarantors are Lydian, Lydian US Corporation, Kavkaz Zoloto CJSC, Lydian International Holdings Limited, Lydian Resources Georgia Limited, Lydian Resources Kosovo Limited, Lydian Resources Armenia Limited and Georgian Resource Company LLC.

“Hazardous Substances” means any substance, material or waste defined, regulated, listed or prohibited by Environmental Laws, including pollutants, contaminants, chemicals, deleterious substances, dangerous goods, hazardous or industrial toxic wastes or substances, tailings, wasterock, radioactive materials, flammable substances, explosives, petroleum and petroleum products, polychlorinated biphenyls, chlorinated solvents and asbestos.

“HSEC Policy” means the integrated health, safety, environmental and community policies and operating guidelines for the Project adopted by the Board, as the same may be amended, revised, supplemented or replaced from time to time.

“IFC” means the International Finance Corporation.

“IFC Agreements” means the subscription agreement dated March 21, 2014 between Lydian and IFC and the subscription agreement dated March 21, 2015 between Lydian and IFC.

“IFRS” means the International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.

“Inchoate Lien” means, with respect to any property or asset of any Person, the following liens:

- (i) any lien for Taxes, assessments or governmental charges not yet due or being contested in good faith by appropriate proceedings and for which a reasonable reserve satisfactory to the Purchasers’ Agent has been provided; and
- (ii) undetermined or inchoate liens, privileges or charges incidental to current operations which have not been filed (or are not required to be filed) pursuant to law against such Person’s property or assets or which relate to obligations not due or delinquent.

“Independent Engineer” means Micon International Limited, or another internationally recognized mine engineering firm acceptable to the Purchasers’ Agent, acting reasonably.

“Initial Armenian Security Documents” means, collectively: (i) the Pledge of Moveable Assets; (ii) the Mortgage; (iii) the Pledge of Mining Rights; and (iv) the Pledge of Turnover Property.

“Investment” means, with respect to any Person, the making by such Person of: (i) any direct or indirect investment in or purchase or other acquisition of the securities of or an equity interest in any other Person, (ii) any loan or advance to, or arrangement for the purpose of providing funds or credit to (excluding extensions of trade credit in the ordinary course of business in accordance with customary commercial terms), any other Person, or (iii) any capital contribution to (whether by means of a transfer of cash or other property or any payment for property or services for the account or use of) any other Person; provided that, for greater certainty, an Acquisition shall not be treated as an Investment.

“Jersey Bank Account Security Agreement” means the bank account security agreement between Lydian and the Collateral Agent with respect to Lydian’s bank accounts situated in Jersey.

“Key Transaction Documents” means, collectively this Agreement, the Credit Agreement, the Credit Facility Intercreditor Agreement, the Equipment Financing Intercreditor Agreement, the Newmont Subordination Agreement, the Offtake Agreement, the Subscription Agreements and the Warrant Certificates.

“Losses” means any and all damages, claims, losses, diminution of value, liabilities, fines, injuries, costs, penalties and expenses (including reasonable legal fees). Losses shall not include consequential, special, exemplary, indirect, incidental or punitive damages or loss of profits or opportunity except to the extent such losses are awarded to a third party in connection with a claim by a third party.

“Lydian Group Members” means, collectively, Lydian and its Subsidiaries and **“Lydian Group Member”** means any one of them.

“Majority Purchasers” means, at any time, one or more Purchasers holding Commitments greater than $66^{2/3}\%$ of the total Commitments under this Agreement (provided that any defaulted Commitments shall be disregarded for such purposes) or, if the full amount of the Deposit has been funded or the Commitments have otherwise been terminated or expired, one or more Purchasers holding a Purchaser’s Share greater than $66^{2/3}\%$ in the aggregate.

“Material Adverse Effect” means any change, event, occurrence, circumstance, fact or effect that, when taken individually or together with all other events, occurrences, changes or effects has, or could reasonably be expected to have, a material adverse effect on:

- (i) the operations, results of operations, business, affairs, properties, assets, prospects, liabilities and obligations (contingent or otherwise), capitalization or condition (financial or otherwise) of (A) the Seller or (B) the Lydian Group Members, taken as a whole;

- (ii) the Project, including (A) the ability of the Seller to develop or operate the Project substantially in accordance with the Mine Plan in effect at the time of the occurrence of such change, event, occurrence, circumstance, fact or effect, or (B) any significant decrease to expected gold or silver production from the Project based on the Mine Plan in effect at the time of the occurrence of such change, event, occurrence, circumstance, fact or effect; or
- (iii) the ability of any Lydian Group Member to perform its obligations under any Stream Document to which it is a party, the legality, validity, binding effect or enforceability against a Lydian Group Member of any Stream Document to which it is a party, or the rights and remedies of the Purchasers' Agent or Purchasers under the Stream Documents,

provided, in each case, that it shall not include any event, change or effect resulting exclusively from (x) the announcement of the execution of this Agreement or any other Transaction Document; (y) any change in the price of the publicly listed stock of Lydian; or (z) any change in gold or silver prices (it being understood that the underlying effects, events, facts or occurrences giving rise to any of (x), (y) or (z) that are not otherwise excluded by this proviso may be determined to constitute, or give rise to, a Material Adverse Effect).

"Material Contracts" means (i) the Contracts listed in Schedule G, (ii) the Material Project Agreements, (iii) any Contract involving the potential expenditure or revenue of more than \$10,000,000 in the aggregate or in excess of \$5,000,000 in any fiscal year, and (iv) any other Contract, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.

"Material Project Agreements" means (i) the Contracts listed in Schedule H, and (ii) any other Project Agreement, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.

"Material Project Authorization" means the (i) Project Authorizations listed in Schedule I, and (ii) any other Project Authorization, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.

"Mine Plan" means the development or mine plan, as applicable, for the Project, as approved by the Board, as the same may be amended, revised, supplemented or replaced from time to time in accordance with the terms of this Agreement. As of the date hereof the Technical Report is the Mine Plan.

"Minerals" means any and all marketable metal bearing material in whatever form or state that is mined, produced, extracted or otherwise recovered from the Project Real Property, and including any such material derived from any processing or reprocessing of any tailings, waste rock or other waste products originally derived from the Project Real Property, and including ore and any other products resulting from the further milling, processing or other beneficiation of Minerals, including doré.

“Monthly Operations Report” means a written report prepared by or on behalf of the Seller in relation to the immediately preceding calendar month, which report shall include all material information pertaining to the development or operations of the Project, including the following information for such month:

- (i) a review of the permitting, development or operating activities for the month and a report on any material issues, departures from, or contemplated or potential changes to the Mine Plan, as applicable;
- (ii) a specific review of the grade control and infill drilling activities for the month, including the results thereof, and a report on any material issues, departures from, or contemplated or potential changes to the Project Drilling Plan;
- (iii) until the Completion Date:
 - (1) a summary of the actual Project Costs incurred on a cumulative and monthly basis (including costs committed to and/or actually funded, and, if applicable, the expected time of funding);
 - (2) variances of actual Project Costs from projected Project Costs in the Construction Budget;
 - (3) the percentage completion of the major elements of construction compared to the Mine Plan; and
 - (4) the anticipated Production Start Date, Commercial Production Date and/or Completion Date, if they have not then occurred; and
- (iv) details of any material health or safety violations and/or material violations of any Applicable Laws, or any material non-compliance with the Environmental and Social Requirements, the HSEC Policy or the Anti-Corruption Policy.

The Monthly Operations Report shall also contain a report on any Encumbrances placed on the Collateral securing amounts greater than \$1,000,000 in the aggregate, other than the Security.

“Monthly Production Report” means a written report in relation to a calendar month with respect to the Project that contains, for such month:

- (i) the tonnes and grade of Minerals mined during such month;
- (ii) the tonnes and grade of Minerals stockpiled during such month (and the total stockpile at the end of such month);
- (iii) the tonnes and grade of Minerals processed during such month and recoveries for gold, silver, and other types of marketable minerals;

- (iv) the number of ounces of gold and silver outturned by the Refinery during such month;
- (v) the estimated number of ounces of gold and silver contained in Minerals processed as of the end of such month that have not yet been delivered to or outturned by the Refinery;
- (vi) the aggregate number of ounces of Refined Gold and Refined Silver delivered to the Purchasers under this Agreement up to the end of such month;
- (vii) a detailed calculation of the Uncredited Balance as of the end of such month; and
- (viii) such other information regarding the calculation of the amount of Refined Gold and Refined Silver delivered to the Purchasers as the Purchasers' Agent may reasonably request.

"Mortgage" means the pledge of real property to be entered into between the Seller and the Collateral Agent in a form to be agreed.

"National Instrument 43-101" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators and the companion policy thereto.

"Net Proceeds" means, with respect to the receipt of insurance proceeds under Sections 6.6(b) and 6.6(c), the aggregate amount received by the Lydian Group Members less the taxes, fees, costs and other out-of-pocket expenses (as evidenced by supporting documentation provided to the Purchasers upon request) incurred or paid to a third party by any Lydian Group Member in connection with the claim giving rise to such proceeds, without deduction for any insurance premiums or similar payments, provided however that insurance proceeds arising from third-party liability insurance shall not constitute Net Proceeds under Sections 6.6(b) and 6.6(c).

"Newmont" means Newmont Overseas Exploration Limited or any successor thereto or assignee thereof in respect of the Newmont Royalty.

"Newmont Royalty" means the 3% net smelter return production royalty granted in favour of Newmont pursuant to the royalty agreement dated as of April 23, 2010 among Lydian, Lydian Resources Armenia Limited, the Seller and Newmont Overseas Exploration Limited.

"Newmont Share Charge" means the share charge dated as of April 23, 2010 by Lydian International Holdings Limited in favour of Newmont in respect of the equity interests of Lydian Resources Armenia Limited.

"Newmont Subordination Agreement" means the subordination agreement to be entered into among Newmont, the Collateral Agent, Lydian, the Seller, Lydian

International Holdings Limited and Lydian Resource Armenia Limited in relation to the Newmont Share Charge.

“**NPV Criteria**” means a calculation of net present value based on (i) the calculation methodology contained in the Technical Report, (ii) the future production set forth in the then current Mine Plan, and (iii) published Selected Commodity Analysts consensus annual future prices for gold and silver. For the purpose of the foregoing, “**Selected Commodity Analysts**” means the respective division, group or entity of each of the following, which is responsible for forecasting metal prices for gold and silver: Bank of America Merrill Lynch, BMO Capital Markets, CIBC World Markets, Credit Suisse, GMP Securities, Morgan Stanley, RBC Capital Markets, Scotia Capital, TD Securities and UBS Securities, provided that any of the foregoing that has not published forecasts for the applicable metal(s) prior to end of the last calendar quarter shall be excluded with respect to such metal(s) and the foregoing list may be updated by the Parties, acting reasonably, in writing from time to time in order to remove and replace any institution that ceases to publish the relevant information. Where such term is used herein, the reference to consensus prices shall be determined based on the most recent forecast published by such persons.

“**NPV of the Project**” means the net present value of the Project based on the NPV Criteria.

“**NPV of the Remaining Stream**” means the net present value of the Purchaser’ rights under this Agreement based on the NPV Criteria.

“**OFAC**” means The Office of Foreign Assets Control of the US Department of the Treasury.

“**Offtake Agreement**” means the offtake agreement dated November 30, 2015 between the Seller and the Purchasers, as the same may be further amended, restated, amended and restated, supplemented, modified or superseded from time to time.

“**Order**” means any order, directive, decree, judgment, ruling, award, injunction, direction or request of any Governmental Body or other decision-making authority of competent jurisdiction.

“**Original Purchase and Sale Agreement**” has the meaning ascribed to it in the recitals.

“**Other Minerals**” means any and all marketable metal bearing material in whatever form or state (including ore) that is mined, produced, extracted or otherwise recovered from any location that is not within the Project Real Property.

“**Other Rights**” means all licenses, approvals, authorizations, consents, rights (including surface rights, access rights and rights of way), privileges, concessions or franchises held by a Lydian Group Member or required to be obtained from any Person (other than a Governmental Body), for the construction, development and operation of the Project, as such construction, development and operation is contemplated by the current or then applicable Mine Plan.

“Outturn” means an outturn of Refined Gold and/or Refined Silver from the Refinery processed from Minerals.

“Parties” means the parties to this Agreement.

“Performance Standards” means the IFC Performance Standards on Environmental and Social Sustainability, effective January 1, 2012, together with relevant guidance documents, published by the IFC, as amended, supplemented or superseded from time to time.

“Permitted Asset Disposition” means, as at any particular time, a sale, transfer or other disposition of: (i) tangible personal property that is no longer required in the conduct of the business of the Seller and the Guarantors or is being replaced, to a maximum aggregate amount in each fiscal year of the Seller of \$5,000,000 (whether in cash or other property); (ii) Minerals pursuant to this Agreement, the Offtake Agreement or otherwise in the ordinary course of business in compliance with the terms of this Agreement; and (iii) Abandonment Property as permitted under this Agreement.

“Permitted Debt” means:

- (i) the Stream Obligations;
- (ii) the Equipment Financing, to an aggregate principal amount not in excess of \$135,000,000 and unsecured Guarantees, if any, granted by Lydian in favour of an equipment financier in connection with such Equipment Financing;
- (iii) obligations under the Credit Agreement;
- (iv) unpaid installments of the purchase price amounts owing to Newmont (such purchase price not to exceed \$20,000,000 in the aggregate) resulting from the repurchase of the Newmont Royalty;
- (v) Debt secured by Encumbrances permitted pursuant to paragraph (xii) of the definition of “Permitted Encumbrances” (Purchase Money Obligations and Finance Lease Obligations);
- (vi) Subordinated Intercompany Debt;
- (vii) short-term working capital facilities, letters of credit payable to suppliers, or overdraft facilities of the Seller or any Guarantor, in each case, incurred in the ordinary course of business on an unsecured basis, and in an aggregate amount not to exceed of \$2,000,000; and
- (viii) unsecured Debt in respect of surety or completion bonds, standby letters of credit or letters of guarantee securing mine closure, asset retirement and environmental reclamation obligations of the Seller to the extent required by Applicable Laws or a Governmental Body.

“Permitted Encumbrances” means, in respect of any Collateral, any of the following:

- (i) Encumbrances arising from court or arbitral proceedings or any judgment rendered, claim filed or registered related thereto, provided that the judgment or claim secured thereby are being contested in good faith by such Person, adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS, execution thereon has been stayed and continues to be stayed and such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;
- (ii) good faith deposits made in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the repayment of borrowed money), leases, surety, customs, performance bonds and other similar obligations, provided such Encumbrances do not materially impair the operation of the business of the Seller or any Guarantor;
- (iii) Encumbrances made or incurred in the ordinary course of business to secure (a) workers’ compensation, surety or appeal bonds, letters of credit, costs of litigation when required by law, Order, and public and statutory obligations, or (b) the discharge of Encumbrances or claims incidental to construction and mechanics’, warehouseman’s, carriers’ and other similar liens or construction and mechanics’ and other similar Encumbrances, provided such Encumbrances do not materially impair the operation of the business of any the Seller or any Guarantor;
- (iv) any development or similar agreements concerning real property of such Person entered into with a Governmental Body or public utility from time to time which do not and will not in the aggregate materially and adversely affect the Security or materially detract from the value of such property or materially impair its use in the operation of the business of such Person, and which are not violated in any material respect;
- (v) any Inchoate Lien;
- (vi) such minor defects as may be revealed by an up to date plan of survey of any property and any minor registered or unregistered encumbrances, including easements, rights of way, encroachments, restrictive covenants, servitudes or other similar rights in land granted to or reserved by other Persons, rights of way for sewers, electric lines, telephone lines and other similar purposes, or zoning by-laws or other restrictions as to the use of real property which defects, encumbrances, easements, servitudes, rights of way and other similar rights and restrictions do not in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of such Person;

- (vii) security or deposits given to a public utility or any Governmental Body when required by such utility or Governmental Body pursuant to any Project Agreement, or in connection with the operations of such entities and in the ordinary course of their business;
- (viii) the Security;
- (ix) Encumbrances securing the obligations under the Credit Agreement, provided that such Encumbrances are subject to the Credit Facility Intercreditor Agreement, or any Refinancing Facility provided that such Encumbrances are subject to an intercreditor agreement entered into in accordance with the terms hereof;
- (x) Encumbrances securing the Equipment Financing; provided that such Encumbrances are subject to an Equipment Financing Intercreditor Agreement;
- (xi) the Newmont Share Charge, provided that such Encumbrance is subject to the Newmont Subordination Agreement;
- (xii) Encumbrances securing Purchase Money Obligations and Finance Lease Obligations (and, for greater certainty, excluding obligations under the Equipment Financing) relating solely to the acquisition of equipment (whether mobile or immobile) necessary for the development, construction or operation of the Project, provided that the aggregate of the Debt outstanding at any time in respect of the Purchase Money Obligations and Finance Lease Obligations referred to in this paragraph (xii) shall not exceed \$10,000,000; and provided that such Encumbrances extend only to the property clearly and individually identified as acquired or financed thereby (including the proceeds of such property) and no recourse is available to any other assets of the Seller or any Guarantor. For the avoidance of any doubt, any funds drawn pursuant to the Armenian Equipment Agreement can be used towards the \$10,000,000 Permitted Encumbrance contemplated by the foregoing paragraph and, in such case, such funds shall not be included in paragraph (ii) of the definition of Permitted Debt;
- (xiii) Encumbrances for Taxes, assessments or governmental charges or levies not at the time due or delinquent provided that the claims secured thereby are being contested in good faith by such Person and adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS and such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;
- (xiv) Encumbrances and charges incidental to construction or current operations (including carrier's warehouseman's, mechanics', materialmen's and

repairmen's liens) that have not at such time been filed pursuant to law or which relate to obligations not due or delinquent provided that the claims secured thereby are being contested in good faith by such Person and adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS and such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;

- (xv) the right reserved to or vested in any Governmental Body by the terms of any lease, licence, franchise, grant or permit acquired by the Seller or a Guarantor or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof, provided such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;
- (xvi) the restrictions, exceptions, reservations, limitations, provisos and conditions, if any, expressed in any original patents or grants from any Governmental Body, and such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;
- (xvii) Encumbrances on concentrates or minerals or the proceeds of sale of such concentrates or minerals arising or granted pursuant to a processing or refining arrangement entered into in the ordinary course and upon usual market terms, securing only the payment of the Seller's or any of its Subsidiary's respective portion of the fees, costs and expenses attributable to the processing of such concentrates or minerals under any such processing or refining arrangement, but only insofar as such Encumbrances relate to obligations which are at such time not past due or the validity of which are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of such Person in accordance with IFRS and such Encumbrances do not result in an Event of Default or materially impair the operation of the business of the Seller or any Guarantor;
- (xviii) Encumbrances created in accordance with Section 9.12; or
- (xix) other Encumbrances agreed to in writing by the Purchasers' Agent (but subject to Section 13.1(a)(v)),

provided, however, that no Encumbrance described in (i) through (v) above shall constitute a Permitted Encumbrance if it was incurred in connection with the borrowing of money.

"Permitted Hedging Arrangements" means derivative or hedging arrangements which have been entered into for bona fide business purposes, and not for speculative purposes,

and (i) entered into prior to the Commercial Production Date, only to the extent required by the terms of the Credit Facility or a Refinancing Facility and pursuant to a hedging plan and policy approved by the Purchasers' Agent, acting reasonably, (ii) entered into following the Commercial Production Date and prior to the Deposit Reduction Date, only pursuant to a hedging plan and policy approved by the Purchasers' Agent, acting reasonably, or (iii) entered into following the Deposit Reduction Date.

"Permitted Restricted Payments" means:

- (i) regularly scheduled payments by the Seller in respect of the Equipment Financing (subject to any applicable Equipment Financing Intercreditor Agreement) and in respect of Permitted Debt under paragraphs (v) and (vii) of such definition;
- (ii) required payments by the Seller in respect of Permitted Debt under paragraph (viii) of such definition;
- (iii) payments made in respect of the repurchase of the Newmont Royalty;
- (iv) payments to (1) directors, officers or employees of the applicable Lydian Group Member in that capacity which consist of reimbursement for reasonable and ordinary course expenses related to the business of any Lydian Group Member incurred by such individual in accordance with the policies in effect governing such reimbursements, or (2) a Guarantor, whether directly or by way of management services arrangements, for other general and administrative expenses, in an aggregate amount not to exceed \$2,750,000 in any fiscal year (inclusive of (1) and (2) above);
- (v) prior to the Guarantee Release Date, payments to a Guarantor for the purpose of funding any non-Project activities by Lydian Group Members in an aggregate amount not to exceed \$250,000 in any fiscal year; and
- (vi) on and after the Guarantee Release Date: (a) while the Credit Agreement is in effect, other "Permitted Restricted Payments" allowed under the Credit Agreement, or (b) if the Credit Agreement is not in effect, other payments to Lydian Group Members or equity holders of ordinary shares of Lydian provided that:
 - (A) all operating expenses of the Seller and the Guarantors, on a consolidated basis, then due and owing have been paid in full;
 - (B) all amounts then due and owing in respect of any Debt ("third-party debt") of the Seller and the Guarantors (other than Debt owing to any Lydian Group Member) have been paid in full; and
 - (C) after giving effect to such Restricted Payment, the Seller and the Guarantors can reasonably be expected to be able to pay all

operating expenses and all amounts in respect of any third-party debt expected to come due and owing in the next 90 days,

provided that, in the case of each Permitted Restricted Payment referred to in paragraphs (ii), (iii), (v) and (vi) above, no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) has occurred and is continuing at such time or could reasonably be expected to occur as a result of such Permitted Restricted Payment.

“Person” means and includes individuals, corporations, bodies corporate, limited or general partnerships, joint stock companies, limited liability companies, joint ventures, associations, companies, trusts, banks, trust companies, Governmental Bodies or any other type of organization or entity, whether or not a legal entity.

“Pledge of Mining Rights” means the pledge of mining rights entered into between the Seller and the Collateral Agent.

“Pledge of Movable Assets” means the pledge of moveable assets entered into between the Seller and the Collateral Agent.

“Pledge of Rights” means any pledge of rights to be entered into between the Seller and the Collateral Agent.

“Pledge of Shares” means, collectively, the pledge of shares in favour of the Collateral Agent entered into by (i) Lydian Resources Armenia Limited with respect to its equity interests in the Seller, and (ii) Lydian with respect to its equity interests in Kavkaz Zoloto CJSC.

“Pledge of Turnover Property” means the pledge of turnover property entered into between the Seller and the Collateral Agent.

“Private Placement” means the private placement to be completed by Lydian with the Purchasers, their Affiliate(s) and/or assignees in conjunction with the Concurrent Public Offering for aggregate gross proceeds of \$77,600,000 in accordance with Section 3.9, with \$24,250,000 of such amount to be subscribed for by Orion Co IV (SO) Limited, its Affiliate(s) (including Orion Co IV (ED) Limited), or assignees, and \$53,350,000 of such amount to be subscribed for by Resource Capital Fund VI L.P., its Affiliate(s) or assignees.

“Processing Facilities” means the crushing plant, the heap leach facility, the adsorption, desorption and regeneration process plant and associated infrastructure and facilities to be completed in connection with the Project substantially as contemplated in the Technical Report and used to the process Minerals into doré.

“Production Interest” means any royalty, stream, participation or production interest, or any agreements that are similar to a royalty, stream, participation or production interest agreement, in each case in respect of any Minerals.

“Production Start Date” means the date of the first production of Minerals containing gold and/or silver suitable for shipment to the Refinery.

“Project” means the Amulsar gold project located in south-central Armenia approximately 170 kilometres southeast of the capital of Yerevan, as described in the Mine Plan, and including the exploration, construction, development, mining, production, processing, recovery, sale, transportation, storage and delivery operations in respect thereof.

“Project Agreements” means all Contracts listed in Schedule J and all other Contracts of any Lydian Group Member relating to (i) the ownership, lease or use of the Project or the Project Property, (ii) the development, construction and mining operations of the Project, (iii) the sale or disposition of mineral production from the Project, including sales, royalty, streaming and off-take agreements and other similar arrangements, and (iv) any option, right of first refusal or right, title, interest, reservation, claim, rent, royalty, or payment in the nature of rent or royalty, or right capable of becoming an option, right of first refusal or right, title, interest, reservation, claim, rent, royalty, or payment in the nature of rent or royalty, in respect of the Project Property, or the mineral production or proceeds therefrom, in each case, whether entered into prior to or after the date of this Agreement.

“Project Authorizations” means all Authorizations and Other Rights (including environmental Authorizations) necessary for (i) the development, construction and mining operations of the Project, and (ii) the commencement and ongoing operation of commercial production transactions.

“Project Costs” means all capital expenditures incurred by any Lydian Group Member for the purposes of developing the Project, including escalation, contingencies, initial working capital, taxes, duties, expenditures for plant equipment, spares and other capital goods, inventory, capital expenditures required to maintain the Project at its design capacity (including repairs and replacements funded by insurance proceeds), interest during construction, financing fees and expenses and other development costs, as set out in the Construction Budget.

“Project Drilling Plan” means a plan prepared by or on behalf of the Seller setting forth the grade control and infill drilling program for the Project, as amended or supplemented from time to time.

“Project Property” means all of the property, assets, undertaking and rights of the Lydian Group Members in and relating to the Project, whether now owned or existing or hereafter acquired or arising, including real property, personal property and mineral interests, and specifically including, but not limited to: (i) the Project Real Property; (ii) all accounts, instruments, chattel paper, deposit accounts, documents, intangibles, goods (including inventory, equipment and fixtures), money, letter of credit rights, supporting obligations, claims, causes of action and other legal rights and investment property; (iii) all products, proceeds (including proceeds of proceeds), rents and profits of the

foregoing; and (iv) all books and records of the Lydian Group Members related to any of the foregoing.

“Project Real Property” means all real property interests, all mineral claims, mineral leases and other mineral rights, concessions and interests, and all surface access rights held by any Lydian Group Member relating to the Project (which as of the date hereof, are as set forth in Schedule Y), and all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Body. “Project Real Property” shall also include any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, mineral rights, concessions or interests, and surface access rights, owned or in respect of which an interest is held, directly or indirectly, by any Lydian Group Member at any time during the term of this Agreement, whether or not such ownership or interest is held continuously.

“Project Schedule” means the schedule for the construction of the Project as approved by the Board from time to time, the current version of which is set forth at Schedule K, as the same may be amended from time to time in accordance with the terms of this Agreement.

“PSA Entity” means from time to time, Lydian International Holdings Limited, Lydian Resources Armenia Limited and any other Person (now or hereafter formed or acquired) that holds or acquires directly or indirectly any interest in the Seller or the Project Property, provided if any such Person transfers or otherwise ceases to hold any direct or indirect interest in the Seller or the Project Property in accordance with Article 8, it will cease to be a PSA Entity for the purposes of this Agreement and the other Stream Documents. Lydian or a Person directly or indirectly holding an interest in Lydian who does not otherwise hold an interest, directly or indirectly, in the Seller or the Project Property shall not be considered a PSA Entity for the purposes of this Agreement.

“Public Disclosure Documents” means, collectively, all of the documents which have been filed by or on behalf of Lydian with the relevant Securities Regulators pursuant to the requirements of Securities Laws, including all documents publicly available on Lydian’s SEDAR profile.

“Purchase Money Obligations” means the outstanding balance of the purchase price of real and/or personal property, title to which has been acquired or will be acquired upon payment of such purchase price, or indebtedness to non-vendor third parties incurred to finance the acquisition of such new and not replacement real and/or personal property, or any refinancing of such indebtedness or outstanding balance.

“Purchaser Assignment Agreement” means an assignment agreement in the form attached as Schedule L.

“Purchaser Event of Default” has the meaning set out in Section 12.1.

“Purchaser’s Share” means, at any given time, in respect of each Purchaser, the percentage of such Purchaser’s funded Commitments in relation to the total amount of

the Deposit that has been funded at such time, as set out in Schedule C, as may be updated from time to time in accordance with this Agreement; provided that such Purchaser's entitlement to receive any payment or delivery from the Seller or any other Lydian Group Member shall be reduced or increased, as applicable in accordance with the terms of the Agreement, on account of any Taxes applicable to such Purchaser, such that the amounts received by the other Purchasers is not affected thereby.

"Purchasers" means the Purchasers party hereto from time to time as set forth in Schedule C, as may be updated from time to time in accordance with this Agreement and **"Purchaser"** means any one of them, as the context so requires.

"Purchasers' Agent" means Osisko Bermuda Limited, in its capacity as agent for the Purchasers under this Agreement, or any successor Purchasers' Agent appointed by the Majority Purchasers in accordance with Section 13.3.

"Real Property" means the Project Real Property and all other real property interests, mineral claims, mineral leases and other mineral rights, concessions and interests, and all surface access rights held by any Lydian Group Member and all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Body (which, as of the date hereof, to the extent not constituting Project Real Property, are as set forth in Schedule M).

"Receiving Party" has the meaning set out in Section 6.8(a).

"Reduction Date" has the meaning set out in Section 2.8(c).

"Refinancing Facility" means any credit facility, bonds, debentures, notes or other similar instruments, the net proceeds of which are used to replace, refinance, defease or discharge the Credit Facility (or any other Refinancing Facility), provided that (i) the principal amount of such Debt available under such Refinancing Facility does not exceed the principal amount of the Debt so replaced, refinanced, defeased or discharged (plus the amount of all fees, and expenses and premiums incurred in connection therewith), unless such Refinancing Facility will fund a reduction election pursuant to Section 2.8, in which case the principal amount of such Debt available under such Refinancing Facility shall not exceed the principal amount of the Debt so replaced, refinanced, defeased or discharged (plus the amount of all fees, and expenses and premiums incurred in connection therewith) plus the amount of any such Debt to be used to fund such reduction election (plus the amount of all fees, and expenses and premiums incurred in connection therewith); (ii) such Refinancing Facility has a maturity date which is on or after the maturity date of the Debt being replaced, refinanced, defeased or discharged, and a weighted average life to maturity equal to or greater than the Debt being replaced, refinanced, defeased or discharged; (iii) such Refinancing Facility has an interest rate which is equal to or lower than the interest rate of the Debt being replaced, refinanced, defeased or discharged, and (iv) if such Refinancing Facility is secured against the Collateral, the lenders or holders thereunder have agreed to be bound by an intercreditor agreement with the Purchasers which is (x) substantially on the same terms and conditions as the Credit Facility Intercreditor Agreement or (y) otherwise at least as

favourable to the Purchasers (as determined by the Purchasers' Agent acting reasonably) as the Credit Facility Intercreditor Agreement.

"Refined Gold" means marketable metal bearing material in the form of gold bars or coins that is refined to standards meeting or exceeding 995 parts per 1,000 fine gold, and otherwise conforming to the London Bullion Market Association specifications for good delivery.

"Refined Silver" means marketable metal bearing material in the form of silver bars or coins that is refined to standards meeting or exceeding 999 parts per 1,000 fine silver, and otherwise conforming to the London Bullion Market Association specifications for good delivery.

"Refinery" means any Acceptable Refinery chosen by the Seller from time to time, provided that the Seller has given the Purchasers at least 10 Business Days' written notice of such choice, accompanied by all documentation required to be delivered to the Purchasers under Section 6.2 in respect of such refinery. For the purposes of the foregoing, an **"Acceptable Refinery"** means a refinery that is recognized by the London Bullion Market Association (or a successor satisfactory to the Purchasers' Agent) at the relevant time as producing gold and silver bars meeting specifications for good delivery, or any other refinery as agreed to by the Seller and the Purchasers' Agent in writing from time to time.

"Related Party" means, with respect to any Person (the "first named Person"), any Person that does not deal at arm's length with the first named Person or is an Associate of the first named Person and, in the case of any Lydian Group Member includes: (a) any director, officer, employee or Associate of Lydian or any of its Affiliates, (b) any Person that does not deal at arm's length with Lydian or any of its Affiliates, and (c) any Person that does not deal at arm's length with, or is an Associate of, a director, officer, employee or Associate of Lydian or any of its Affiliates.

"Restricted Payment" means, with respect to the Seller or any Guarantor, any payment by such Person to any other Person (a) of any dividends or any other distribution on any shares of its capital or other equity interests, (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any shares of its capital or other equity interests or any warrants, options or rights to acquire any such shares, (c) of any principal of, or interest or premium on, or of any amount in respect of a sinking or analogous fund or defeasance fund for, any Debt of such Person ranking in right of payment *pari passu* with or subordinate to the Stream Obligations, or (d) of any management, consulting or similar fee, or any material bonus or comparable payment, or material payment by way of gift or other gratuity, to any Related Party.

"Royalties" means the royalties set out in Schedule N.

"Sale-Leaseback" means an arrangement under which title to any property or an interest therein is transferred by or on the direction of a Person ("X") to another Person which

leases or otherwise grants the right to use such property, asset or interest (or other property, which X intends to use for the same or a similar purpose) to X (or nominee of X), whether or not in connection therewith X also acquires a right or is subject to an obligation to acquire the property, asset or interest, and regardless of the accounting treatment of such arrangement.

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, or (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country Sanctions program administered and enforced by: (i) OFAC; (ii) any Canadian Governmental Body; (iii) the Member States of the European Union; or (iv) the States of Jersey.

“Sanctioned Person” means, (a) any Person listed in any sanctions-related list of designated persons maintained by any Canadian Governmental Body, (b) a Person named on the list of Specially Designated Nationals maintained by OFAC, (c) a Person named on the list of designated persons maintained by the Council of the European Union, (d) a Person named on the list of designated persons maintained by the each Member State of the European Union or (e) a Person named on the list of designated persons maintained by the Jersey Financial Services Commission.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC, any Canadian Governmental Body, the Member States of the European Union or the States of Jersey.

“Second Deposit” has the meaning set out in Section 3.1(a)(ii).

“Second Deposit Date” has the meaning set out in Section 3.1(a)(ii).

“Second Deposit Deadline” means September 30, 2016.

“Second Stage Security Deadline” means the date which is two months from the Execution Date.

“Second Stage Security Documents” means the Security Documents described in Section 9.3(a).

“Securities Laws” means all applicable securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, orders, blanket rulings and other regulatory instruments of the Securities Regulators, and all rules and policies of the Toronto Stock Exchange and any other stock exchange on which securities of Lydian are traded.

“Securities Regulators” means, collectively, the securities regulators or other securities regulatory authorities in each of the provinces and territories of Canada in which Lydian is a reporting issuer and in any other jurisdictions whose Securities Laws are applicable to Lydian.

“**Security**” means the Encumbrances granted in favour of the Collateral Agent pursuant to the Security Documents.

“**Security Documents**” means any Guarantees in favour of the Purchasers’ Agent in respect of the Stream Obligations, the General Security Agreements, the Share Pledge Agreements, the Initial Armenian Security Documents, the Pledge of Rights and any other security documents held from time to time by the Collateral Agent securing or intended to secure performance of the Stream Obligations, including the security described in Sections 9.1 and 9.2.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

“**Seller Event of Default**” has the meaning set out in Section 11.1.

“**Share Pledge Agreement**” means an agreement pursuant to which a Guarantor pledges its equity interests in the Seller or any other Guarantor in favour of the Collateral Agent, including the BVI Pledge Agreements and the Pledge of Shares.

“**Silver Market Price**” means, with respect to any day, the daily per ounce LBMA Silver Price in U.S. dollars quoted by the London Bullion Market Association (currently in partnership with CME Group and Thomson Reuters) for Refined Silver on such day or, if such day is not a trading day, the immediately preceding trading day; provided that, if the LBMA Silver Price is no longer quoted by the London Bullion Market Association, the Silver Market Price shall be determined by reference to the price of Refined Silver in the manner endorsed by the London Bullion Market Association, failing which the Silver Market Price will be determined by reference to the price of Refined Silver on a commodity exchange mutually acceptable to the Seller and the Purchasers’ Agent, acting reasonably.

“**Silver Purchase Price**” has the meaning set out in Section 2.6.

“**Stream Documents**” means this Agreement, the Security Documents, the Credit Facility Intercreditor Agreement, the Equipment Financing Intercreditor Agreements, the Newmont Subordination Agreement and Subordination and Postponement of Claims and all other agreements, instruments and documents from time to time (both before and after the date of this Agreement) delivered to the Purchasers or the Purchasers’ Agent for the benefit of the Purchaser in connection with this Agreement or the other Stream Documents.

“**Stream Obligations**” means all indebtedness, liabilities and other obligations owed to the Purchasers hereunder or under any other Stream Document, whether actual or contingent, direct or indirect, matured or not, now existing or hereafter arising.

“**Subordinated Intercompany Debt**” means any debts, liabilities or obligations owing by the Seller or a Guarantor to any Lydian Group Member, on any account and in any capacity, subordinated in accordance with the provisions of the Subordination and Postponement of Claims.

“Subordination and Postponement of Claims” means a subordination and postponement of claims in favour of the Collateral Agent in respect of Subordinated Intercompany Debt pursuant to which, among other things, the holder of such Subordinated Intercompany Debt agrees that such Subordinated Intercompany Debt will be subordinated and postponed to the Stream Obligations and that (i) no interest or principal in respect of such Subordinated Intercompany Debt shall be payable, (ii) no Encumbrances have been or will be taken by the holder of such Subordinated Intercompany Debt, and (iii) no remedies will be exercised by the holder of such Subordinated Intercompany Debt, in each case while any Stream Obligations remain outstanding, and which shall otherwise be in form and substance satisfactory to the Collateral Agent, acting reasonably.

“Subscription Agreements” means the Subscription Agreements to be entered into by Lydian and the Purchasers, their Affiliate(s) and/or assignees, as applicable, in connection with the Private Placement, substantially in the form attached as Schedule O.

“Subsidiary” means with respect to any Person, any other Person which is Controlled directly or indirectly by that Person.

“Tax Returns” means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all present and future taxes (including, for certainty, real property taxes), levies, imposts, stamp taxes, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Body, including any interest, additions to tax or penalties applicable thereto.

“Technical Committee” means the committee established pursuant to Article 7.

“Technical Report” means the technical report titled “NI 43-101 Technical Report, Amulsar Value Engineering and Optimization, Armenia”, dated November 20, 2015 and effective November 6, 2015, and prepared for Lydian by Samuel Engineering Inc.

“Term” has the meaning set out in Section 4.1(a).

“Term Facility B” has the meaning set out in the Credit Agreement.

“Term Facility B Maturity Date” has the meaning set out in the Credit Agreement.

“Third Deposit” has the meaning set out in Section 3.1(b).

“Third Deposit Amount” has the meaning set out in Section 3.1(b).

“Third Deposit Date” has the meaning set out in Section 3.1(b).

“Third Deposit Option” has the meaning set out in Section 3.1(b).

“Third Deposit Period” has the meaning set out in Section 3.1(b).

“Third Party” has the meaning set out in Section 6.8(a)(i).

“Time of Delivery” has the meaning set out in Section 2.3(a).

“Transfer” means to, directly or indirectly, sell, transfer, assign, convey, dispose or otherwise grant a right, title or interest (including expropriation or other transfer required or imposed by law or any Governmental Body), whether voluntary or involuntary.

“Unanimous Purchasers” means, at any time, all of the Purchasers at such time.

“Uncredited Balance” means, at any time, the uncredited balance of the Deposit determined in accordance with this Agreement.

“Unpaid Deposit” has the meaning set out in Section 12.1.

“Warrant Certificates” means the certificates providing for the warrants issuable under the Credit Agreement.

1.2 Certain Rules of Interpretation

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires:

- (a) The terms “Agreement”, “this Agreement”, “the Agreement”, “hereto”, “hereof”, “herein”, “hereby”, “hereunder” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof.
- (b) References to an “Article”, “Section” or “Schedule” followed by a number or letter refer to the specified Article or Section of or Schedule to this Agreement.
- (c) Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) References to a Party in this Agreement mean the Party or its successors or permitted assigns.
- (e) Where the word “including” or “includes” is used in this Agreement, it means “including without limitation” or “includes without limitation”.
- (f) The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (g) Words importing the singular include the plural and vice versa and words importing gender include all genders.

- (h) A reference to an agreement includes all schedules, exhibits and other appendices attached thereto and shall include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement.
- (i) A reference to a statute includes all regulations made pursuant to and rules promulgated under such statute and, unless otherwise specified, any reference to a statute or regulation includes the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation from time to time.
- (j) Time is of the essence in the performance of the Parties' respective obligations under this Agreement.
- (k) In this Agreement a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (New York City time) on the last day of the period. Whenever any payment is required to be made, action is required to be taken or period of time to expire on a day other than a Business Day, such payment shall be made, action shall be taken or period shall expire on the next following Business Day.
- (l) Unless specified otherwise in this Agreement, all statements or references to dollar amounts in this Agreement are to United States of America dollars.
- (m) References to an "ounce" are to a troy ounce (being equal to 31.1034768 grams).

1.3 Accounting Principles

Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purposes of this Agreement, including the contents of any certificate to be delivered hereunder, such determination, consolidation or computation shall, unless the Parties otherwise agree or the context otherwise requires, be made in accordance with IFRS.

1.4 Interest Act

For the purposes of the *Interest Act* (Canada) and disclosure under such statute, whenever interest to be paid under this Agreement or any other Stream Document is to be calculated on the basis of a year of three-hundred sixty (360) days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other period of time, as the case may be.

1.5 Maximum Rate of Interest

Notwithstanding anything herein or in any of the other Stream Documents to the contrary, in the event that any provision of this Agreement or any other Stream Document would oblige the

Seller to make any payment of interest or other amount payable to the Purchasers in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Purchasers of interest at a criminal or prohibited rate (as such terms are construed under the *Criminal Code* (Canada) or any other Applicable Law), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with the same effect as if adjusted at the Closing Date to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Purchasers of interest at a criminal or prohibited rate, such adjustment to be effected to the extent necessary in each case, as follows:

- (a) by reducing any fees and other amounts which would constitute interest for the purposes of Section 347 of the *Criminal Code* (Canada) or any other Applicable Law;
- (b) by reducing the amount or rate of interest exigible under Section 14.3; and
- (c) any amount or rate of interest referred to in this Section 1.5 shall be determined in accordance with generally accepted actuarial practices and principles over the maximum term of this Agreement (or over such shorter term as may be required by Section 347 of the *Criminal Code* (Canada) or any other Applicable Law) and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Purchasers' Agent shall be conclusive for the purposes of such determination, absent manifest error.

1.6 No Subordination

The use of the term "Permitted Encumbrances" to describe any interests and Encumbrances permitted hereunder shall mean that they are permitted to exist (whether in priority to or subsequent in priority to the Security, as determined by Applicable Law), and shall not be interpreted as meaning that such interests and Encumbrances are entitled to priority over the Security.

1.7 Jersey Terms

In this Agreement, where it relates to a Jersey entity, a reference to:

- (a) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer includes the Viscount of the Royal Court of Jersey or Autorisés;
- (b) any analogous step or procedure being taken in connection with insolvency, includes: (i) any step taken in connection with the commencement of proceedings towards the making of a declaration of *en désastre* in respect of any assets of such entity (or the making of such a declaration); (ii) any procedure referred to in Article 125 of the Companies (Jersey) Law 1991; (iii) any procedure or process referred to in Part 21 of the Companies (Jersey) Law 1991; and (iv) any procedure or proceedings in relation to an entity becoming "bankrupt" within the meaning of Article 8 of the Interpretation (Jersey) Law 1954;

- (c) any insolvency, winding-up, administration or similar proceedings includes: (i) *désastre* and any proceedings in connection with *désastre*; (ii) any procedure or proceedings referred to in Article 125 of the Companies (Jersey) Law 1991; and (iii) an entity becoming “bankrupt” within the meaning of the Interpretation (Jersey) Law 1954; and
- (d) security or a security interest includes: (i) any *hypothèque* whether granted or arising by operation of law; and any security interest created pursuant to the Security Interests (Jersey) Law 2012.

1.8 Schedules

The following schedules are attached to and form part of this Agreement:

Schedule A	- Form of Annual Compliance Certificate
Schedule B	- Form of Commercial Production Date Certificate
Schedule C	- Purchasers
Schedule D	- Form of Completion Date Certificate
Schedule E	- Construction Budget
Schedule F	- Intercreditor Principles (Equipment Financing)
Schedule G	- Material Contracts
Schedule H	- Material Project Agreements
Schedule I	- Material Project Authorizations
Schedule J	- Project Agreements
Schedule K	- Project Schedule
Schedule L	- Purchaser Assignment Agreement
Schedule M	- Other Real Property
Schedule N	- Royalties
Schedule O	- Form of Subscription Agreement
Schedule P	- Use of First Deposit
Schedule Q	- Lydian and Seller Representations and Warranties
Schedule R	- Purchaser Representations and Warranties
Schedule S	- [Intentionally Blank]
Schedule T	- Consents
Schedule U	- Corporate Structure
Schedule V	- Principal Place of Business and Other Locations
Schedule W	- Bank Accounts

Schedule X	- Taxes
Schedule Y	- Project Real Property
Schedule Z	- [Intentionally Blank]
Schedule AA	- Solvency
Schedule BB	- Community Matters

ARTICLE 2 PURCHASE AND SALE

2.1 Purchase and Sale of Refined Gold and Refined Silver

- (a) Subject to and in accordance with the terms of this Agreement, during the Term, the Seller hereby agrees to sell to each Purchaser, and each Purchaser hereby agrees to purchase from the Seller, in respect of each Outturn:
 - (i) an amount of Refined Gold equal to the Purchaser's Share of the Designated Gold Percentage, free and clear of all Encumbrances, until the Aggregate Gold Quantity has been delivered to the Purchasers under this Agreement; and
 - (ii) an amount of Refined Silver equal to the Purchaser's Share of the Designated Silver Percentage, free and clear of all Encumbrances, until the Aggregate Silver Quantity has been delivered to the Purchasers under this Agreement.
- (b) The amount of Refined Gold and Refined Silver to be delivered by the Seller to the Purchasers under this Agreement shall be measured by the amount of Refined Gold and Refined Silver credited to the Seller in each Outturn. For greater certainty, the Purchasers shall not be responsible for any refining, treatment or other charges, penalties, insurance, deductions, transportation, settlement, financing, price participation charges or other charges, penalties, deductions, set-offs, Taxes or expenses pertaining to and/or in respect of the Refined Gold and Refined Silver purchased by it hereunder, all of which shall be for the account of the Seller.

2.2 Product Specifications

- (a) The Refined Gold and Refined Silver delivered by the Seller to the Purchasers pursuant to this Agreement need not come from gold or silver physically produced at the Project, provided that the Seller shall not sell or deliver to the Purchasers (for the purposes of this Agreement and at any time during the Term) any Refined Gold or Refined Silver that has been directly or indirectly purchased on a commodity exchange.

- (b) The Refined Gold and Refined Silver to be delivered by the Seller to the Purchasers pursuant to this Agreement shall conform in all respects with the London Bullion Market Association specifications for good delivery, and the Purchasers shall not be required to purchase any Refined Gold or Refined Silver that does not meet such specifications.
- (c) If the London Bullion Market Association ceases to exist or ceases to publish rules for the good delivery of gold and/or silver or such rules should no longer be internationally recognized as the basis for good delivery of gold and/or silver, the Purchasers' Agent may designate, for purposes of this Agreement, a new basis for determining good delivery of Refined Gold and Refined Silver. Until the Purchasers' Agent makes such designation, deliveries of Refined Gold and Refined Silver by the Seller to the Purchasers under this Agreement shall conform to the last set of rules for good delivery in effect under this Agreement immediately prior to the time such rules ceased to be published or recognized.

2.3 Delivery Obligations

- (a) On the date of each Outturn, the Seller shall sell and deliver to the Purchasers the Refined Gold and Refined Silver in respect of such Outturn as determined in accordance with Section 2.1. The applicable amount of Refined Gold and Refined Silver shall be delivered to each of the Purchasers by way of credit (in metal) to the respective metal account or accounts in London designated by the Purchasers, with the metal account or accounts of each Purchaser to be specified by such Purchaser by electronic communication to the Seller from time to time. Delivery by the Seller of the applicable amount of Refined Gold and Refined Silver to the Purchasers shall be deemed to have been made at the time and on the date Refined Gold and Refined Silver are respectively credited to the designated metal accounts of the Purchasers (the "**Time of Delivery**" on the "**Date of Delivery**").
- (b) Title to, and risk of loss of, Refined Gold and Refined Silver shall pass from the Seller to the applicable Purchaser at the Time of Delivery.
- (c) All costs and expenses pertaining to each delivery of Refined Gold and Refined Silver to the Purchasers shall be borne by the Seller.
- (d) The Seller hereby represents and warrants to and covenants with the Purchasers that, immediately prior to the Time of Delivery (i) the Seller will be the sole legal and beneficial owner of the Refined Gold and Refined Silver credited to a metal account of a Purchaser, (ii) the Seller will have good, valid and marketable title to such Refined Gold and Refined Silver, and (iii) such Refined Gold and Refined Silver will be free and clear of all Encumbrances (other than the Security or Permitted Encumbrances specified in clause (ix) of that definition).

2.4 Delivery Notifications and Invoicing

- (a) Promptly, and in any event no later than 24 hours, after each shipment of Minerals from the Processing Facilities to the Refinery, the Seller shall send the Purchasers,

by email (at the email addresses specified by the Purchasers from time to time), notice of such shipment, including the date of shipment and the weight and fineness (if estimated) of the doré bars so shipped.

- (b) Promptly, and in any event no later than 24 hours, after receipt thereof by the Seller, the Seller shall send the Purchasers, by email (at the email addresses specified by the Purchasers from time to time), a copy or notice of, as applicable, all documents and information received from the Refinery related to the processing of Minerals shipped to the Refinery, including expected date of the Outturn, sampling/assay information, umpire reports (if any), invoices and other settlement documents, unless the sharing of such information or documentation is restricted by applicable confidentiality restrictions or Applicable Laws.
- (c) The Seller shall notify the Purchasers by email (at the email addresses specified by the Purchasers from time to time), at least two Business Days prior to each Outturn, of the Date of Delivery, the number of ounces of Refined Gold and Refined Silver to be sold to each Purchaser and, in accordance with Sections (d)(iv), 2.6 and 2.7, as applicable, the estimated net number of ounces of Refined Gold and Refined Silver to be credited to each Purchaser on the Date of Delivery.
- (d) On the date of each Outturn, the Seller shall deliver an invoice to each Purchaser that shall include:
 - (i) a calculation of the number of ounces of Refined Gold and Refined Silver sold and delivered to such Purchaser and, if different, a calculation of the number of ounces of Refined Gold and Refined Silver credited to such Purchaser;
 - (ii) the Date of Delivery and Time of Delivery; and
 - (iii) the Gold Purchase Price for Refined Gold and Silver Purchase Price for Refined Silver sold and delivered to such Purchaser; and
 - (iv) such other information as may be reasonably requested by the Purchaser to allow such Purchaser to verify all aspects of the delivery of Refined Gold and Refined Silver reflected in such invoice.

2.5 Gold Purchase Price

The purchase price (the “**Gold Purchase Price**”) for each ounce of Refined Gold sold and delivered by the Seller to the Purchasers under this Agreement shall be equal to:

- (a) until the Deposit Reduction Date, the Gold Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Gold, payable (i) in cash or by wire transfer equal to the amount of the lesser of the Fixed Gold Price and the Gold Market Price on the Date of Delivery, and (ii) if such Gold Market Price is greater than the Fixed Gold Price, the excess will be payable by crediting an amount equal to the difference between such Gold Market Price and the Fixed

Gold Price against the Deposit in order to reduce the Uncredited Balance until it has been credited and reduced to nil; and

- (b) after the Deposit Reduction Date, the lesser of the Fixed Gold Price and the Gold Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Gold, payable in cash or by wire transfer.

2.6 Silver Purchase Price

The purchase price (the "**Silver Purchase Price**") for each ounce of Refined Silver sold and delivered by the Seller to the Purchasers under this Agreement shall be equal to:

- (a) until the Deposit Reduction Date, the Silver Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Silver, payable (i) in cash or by wire transfer equal to the amount of the lesser of the Fixed Silver Price and the Silver Market Price on the Date of Delivery, and (ii) if such Silver Market Price is greater than the Fixed Silver Price, the excess will be payable by crediting an amount equal to the difference between such Silver Market Price and the Fixed Silver Price against the Deposit in order to reduce the Uncredited Balance until it has been credited and reduced to nil; and
- (b) after the Deposit Reduction Date, the lesser of the Fixed Silver Price and the Silver Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Silver, payable in cash or by wire transfer.

2.7 Payment

Payment by each Purchaser of the aggregate Gold Purchase Price and/or Silver Purchase Price for each delivery of Refined Gold and/or Refined Silver to such Purchaser shall be made (a) on the Business Day following the receipt of the Refined Gold and/or Refined Silver in such Purchaser's metal account, and (b) to a bank account of the Seller designated in accordance with Section 14.1, provided that, at any time, any Purchaser may provide notice to the Seller with respect to one or more deliveries that any payments required to be made by such Purchaser hereunder shall instead be offset against, and on the same day as, the applicable delivery of Refined Gold and/or Refined Silver by the Seller to such Purchaser. Any such offsets pursuant to this Section 2.7 shall be at the Gold Market Price or Silver Market Price, as applicable, on the Business Day immediately preceding the Date of Delivery.

2.8 Reduction Election

- (a) The Seller may elect to reduce the amount of Refined Gold and Refined Silver to be delivered and sold by the Seller to the Purchasers under this Agreement by 50% on either the second anniversary or the third anniversary of the Commercial Production Date. The Seller shall exercise such election by providing written notice thereof to the Purchasers at least 30 days in advance of the applicable anniversary date.

- (b) If the Seller makes the reduction election effective as of the second anniversary of the Commercial Production Date, the Seller shall make a cash payment of \$55,000,000 to the Purchasers (*pro rata* based on their respective Purchaser's Share) on the date of such second anniversary. If the Seller makes the reduction election effective as of the third anniversary of the Commercial Production Date, the Seller shall make a cash payment of \$50,000,000 to the Purchasers (*pro rata* based on their respective Purchaser's Share) on the date of such third anniversary.
- (c) Upon the applicable amount referred to in Section 2.8(b) being received by the Purchasers (with the date of receipt being referred to herein as the "**Reduction Date**"):
 - (i) the "Aggregate Gold Quantity" shall be reduced from 142,454 ounces of Refined Gold to that number of ounces equal to (i) 71,227, plus (ii) 50% multiplied by the number of ounces of Refined Gold delivered to the Purchasers pursuant to this Agreement immediately prior to the Reduction Date;
 - (ii) the "Aggregate Silver Quantity" shall be reduced from 694,549 ounces of Refined Silver to that number of ounces equal to (i) 347,274.5, plus (ii) 50% multiplied by the number of ounces of Refined Silver delivered to the Purchasers pursuant to this Agreement immediately prior to the Reduction Date;
 - (iii) the "Designated Gold Percentage" shall be reduced from 6.75% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery to 3.375%;
 - (iv) the "Designated Silver Percentage" shall be reduced from 100% of the number of ounces of Refined Silver produced from Minerals and credited to the Seller by the Refinery to 50%; and
 - (v) the Seller shall be deemed to have returned \$30,000,000 of the Deposit to the Purchasers, and the Uncredited Balance shall be deemed to be reduced by such amount.

ARTICLE 3 DEPOSIT PAYMENT

3.1 Deposit

- (a) In consideration for the respective promises and covenants of the Seller contained herein, including the sale and delivery by the Seller to the Purchasers of Refined Gold and Refined Silver, the Purchasers hereby agree to pay, and the Seller hereby agrees to accept, a cash deposit in the amount of \$60,000,000 (the "**Deposit**") against, and as a prepayment of, the Gold Purchase Price and the Silver Purchase Price. Subject to the conditions in Sections 3.3 and 3.4, as applicable, the Deposit shall be paid to the Seller in two instalments as follows:

- (i) the first deposit (the “**First Deposit**”) in the amount of \$25,000,000 shall be paid by the Purchasers (based on their respective Commitments for the First Deposit) as follows:
 - (A) half of the First Deposit shall be paid on the Closing Date, subject to the satisfaction of the conditions set forth in Section 3.3; and
 - (B) the remaining half of the First Deposit shall be paid either (1) on the Closing Date, if the Armenian Share Pledge Condition is satisfied on or before the Closing Date, or (2) otherwise, within two Business Days following the satisfaction of the Armenian Share Pledge Condition and subject to the satisfaction of the following additional conditions:
 - as at the payment date: (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct as if made on and as of the payment date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date; (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement; (iii) no Material Adverse Effect shall have occurred since the Execution Date; and (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing; and
 - a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers’ Agent, acting reasonably, dated as of the payment date and addressed to the Purchasers, certifying the matters set forth in the paragraph above; and
 - (ii) the second deposit (the “**Second Deposit**”) in the amount of \$35,000,000 shall be paid by the Purchasers (based on their respective Commitments for the Second Deposit) on a date (the “**Second Deposit Date**”) not earlier than three months after the Execution Date and no later than the Second Deposit Deadline to be selected by the Seller, upon at least 30 days’ written notice to the Purchasers, subject to Section 3.1(b) and to the satisfaction of the conditions set forth in Section 3.5.
- (b) The Purchasers shall have the option (the “**Third Deposit Option**”), at their mutual election, during the period (“**Third Deposit Period**”) commencing on the Term Facility B Maturity Date and (except as provided below) ending ten (10) Business Days thereafter, to pay a third deposit (the “**Third Deposit**”) to the Seller in the amount of \$8,000,000 (the “**Third Deposit Amount**”) (based on \$5 million to be paid by Osisko Bermuda Limited and \$3 million to be paid by

Resource Capital Fund VI L.P), which amount may be paid in part or in full by applying any amounts owing to the Purchasers under the Term Facility B towards the payment of the Third Deposit. In the event the amounts owing to the Purchasers under the Term Facility B are less than the Third Deposit Amount then the Purchasers shall have the option during the Third Deposit Period to make an additional one-time payment to the Seller for the balance. The date on which the Third Deposit Amount is fully paid to the Seller shall be the “**Third Deposit Date**” for purposes of this Agreement. In the event of a proposed Change of Control of the Seller or any Guarantor, the Purchasers shall provide notice to the Seller by no later than ten (10) Business Days prior to the closing of the Change of Control (or prior to the expiry of the bid where the Change of Control is the result of a take-over bid) if the Purchasers wish to exercise the Third Deposit Option on the date of the closing of the Change of Control, which notice shall be binding upon the Purchasers. Notwithstanding the foregoing, the Purchasers shall not have the benefit of the Third Deposit Option if the Term Facility B Maturity Date has occurred as a result of a Change of Control of the Seller or any Guarantor and the buyer in connection with such Change of Control (or the Seller, any Guarantor or any other Person as designated by the buyer) has purchased the Stream Obligations from the Purchasers.

- (c) Notwithstanding any other provision of this Agreement, the Purchasers shall have no obligation to fund the Second Deposit (and the Commitments of the Purchasers in respect thereof shall be terminated) if the Second Deposit Date has not occurred by the Second Deposit Deadline as a result of the conditions in Section 3.5 not having been satisfied. In the event that less than all of the Deposit is funded in accordance with the terms and conditions of this Agreement, for all purposes of this Agreement the term “Deposit” shall be deemed to mean only that portion of the Deposit that has been funded.
- (d) No interest will be payable by the Seller on or in respect of the Deposit except as expressly provided in this Agreement.
- (e) The Seller shall, at all times, maintain a record of the Uncredited Balance, reflecting each payment of an instalment of the Deposit and each credit against or reduction of the Deposit and the dates of such payments, credits and reductions. The Seller shall, upon request of any Purchaser, provide such Purchaser with a copy of such record.

3.2 Use of Deposit

- (a) The Seller shall use the First Deposit only for the purposes set out in and otherwise in accordance with Schedule P. The Seller shall use the Second Deposit only for Project Costs incurred in accordance with the Mine Plan and Construction Budget.
- (b) Notwithstanding any other provision of this Agreement, neither the Seller nor Lydian shall, and Lydian shall not permit any Guarantor to, transfer more than

\$1,000,000 of the proceeds of the First Deposit to any account in Armenia, until the Armenian Share Pledge Condition shall have been satisfied.

3.3 Conditions Precedent to First Deposit in Favour of the Purchaser

The obligations of the Purchasers to fund the First Deposit pursuant to Section 3.1(a)(i) shall be subject to the following conditions having been satisfied:

- (a) as at the Closing Date:
 - (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct as if made on and as of the Closing Date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date;
 - (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement;
 - (iii) no Material Adverse Effect shall have occurred since the Execution Date; and
 - (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing;
- (b) a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Closing Date and addressed to the Purchasers, certifying the matters set forth in (a) above;
- (c) the Purchasers' Agent shall have received a certificate of status, good standing or compliance (or equivalent) for each Lydian Group Member issued by the relevant Governmental Body dated not earlier than the Business Day prior to the Closing Date;
- (d) a senior officer of each Lydian Group Member shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Closing Date and addressed to the Purchasers, as to (i) its constating documents; (ii) the resolutions of its board of directors (or equivalent) authorizing the execution, delivery and performance of this Agreement and the other Stream Documents to which it is party and the transaction contemplated hereby and thereby; and (iii) the names, positions and true signatures of the persons authorized to sign this Agreement and the other Stream Documents on its behalf;

- (e) the Purchasers' Agent shall have received a copy of all Project Agreements, Project Authorizations and Material Contracts that have been obtained or entered into as of the Closing Date;
- (f) the Seller shall have demonstrated that submissions shall be made no later than December 31, 2015 to the Ministry of Energy and Natural Resources of the Republic of Armenia to amend Mining Permit SHATV-29/245 to extend the construction period and to update the Mining Right and the Environmental Impact Assessment in respect of the Project to reflect the construction period and mine design contemplated by the Technical Report;
- (g) the Credit Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (h) the Credit Facility Intercreditor Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (i) the Offtake Agreement shall have been executed and delivered by the Lydian Group Members party thereto and be in full force and effect, subject to the terms thereof;
- (j) the Newmont Subordination Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (k) the Closing Date (as defined in the Credit Agreement) shall have occurred or shall occur on the same date as the Closing Date hereunder;
- (l) the Closing Date Security Documents shall have been executed and delivered by the Lydian Group Members, as applicable, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, and the Closing Date Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Closing Date Security Documents (it being acknowledged that the execution and delivery by Lydian and Lydian Resources Armenia Limited of the Pledge of Shares, the registration filing or recording thereof in all offices, and the taking of all actions, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Pledge of Shares, together with the delivery of a legal opinion in respect thereof as contemplated by paragraph (n) below (collectively, the "**Armenian Share Pledge Condition**"), may be satisfied after the Closing Date, subject to Section 3.1(a)(i)(B));
- (m) the Purchasers' Agent shall have received certificates of insurance evidencing compliance with Section 6.6(a);
- (n) the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to Purchasers' Agent, acting reasonably, of legal counsel addressed to

the Purchasers relating to (A) the legal status of the Lydian Group, (B) the corporate power and authority of the Lydian Group Members to execute, deliver and perform this Agreement and the other Stream Documents to which each is a party, as applicable, (C) the authorization, execution and delivery of this Agreement and the other Stream Documents by the Lydian Group Members, as applicable, (D) the enforceability of this Agreement and the other Stream Documents against the Lydian Group Members, as applicable, (E) the due registration or filing of the Closing Date Security Documents and, where applicable, the perfection of the security interest of the Purchasers under the Closing Date Security Documents and the results of the usual searches that would be conducted in connection with the Security created pursuant to the Closing Date Security Documents, and (F) any other customary matters relating to this Agreement and the other Stream Documents and the transactions contemplated hereby and thereby (it being acknowledged that the Armenian Share Pledge Condition may be satisfied after the Closing Date, subject to Section 3.1(a)(i)(B));

- (o) the Purchasers' Agent shall have received a title opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of Lydian's legal counsel addressed to the Purchasers relating to the Project Real Property;
- (p) all Orders and Authorizations necessary for the completion of the transactions contemplated by the Key Transaction Documents, other than the approval of the Toronto Stock Exchange, shall have been obtained;
- (q) no Order or Applicable Law, which restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Key Transaction Documents shall be in effect; and
- (r) no action or proceeding, at law or in equity, shall be pending or threatened by any Person or Governmental Body to restrain, enjoin or prohibit the consummation of the transactions contemplated by the Key Transaction Documents.

3.4 Conditions Subsequent to First Deposit in Favour of the Purchaser

As an accommodation to the Seller, the Purchasers have agreed to make the First Deposit (subject to satisfaction or waiver by the Purchasers of the conditions precedent in Section 3.3) notwithstanding that the conditions set forth below shall not have been satisfied on or before the date of the First Deposit. In consideration of such accommodation, the Seller agrees that, in addition to all other terms, conditions and provisions set forth in this Agreement, the Seller shall satisfy each of the conditions subsequent set forth below within the timeframes set forth below (it being understood that the failure by the Seller to perform or cause to be performed any such condition subsequent on or before such date shall constitute an Event of Default):

- (a) No later than First Stage Security Deadline, the First Stage Security Documents shall have been executed and delivered by the Lydian Group Members in accordance with Section 9.2, and the First Stage Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been

taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the First Stage Security Documents, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing.

- (b) No later than the Second Stage Security Deadline, the Second Stage Security Documents shall have been executed and delivered by the Lydian Group Members in accordance with Section 9.3, and the Second Stage Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Second Stage Security Documents, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing.

3.5 Conditions Precedent to Second Deposit in Favour of the Purchaser

The obligation of the Purchasers to fund the Second Deposit shall be subject to the following conditions having been satisfied:

- (a) the Second Deposit Date shall be on or before the Second Deposit Deadline;
- (b) the conditions in Section 3.4 shall have been satisfied or waived;
- (c) the specific assignments of the Material Contracts referred to in Section 9.3(b) shall have been delivered to the Collateral Agent in accordance with that Section, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing;
- (d) as at the Second Deposit Date:
 - (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct in all material respects (other than those representations and warranties which are subject to a materiality qualifier, which representations and warranties shall be true and accurate in all respects) as if made on and as of the Second Deposit Date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date;
 - (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement;
 - (iii) no Material Adverse Effect shall have occurred since the Execution Date; and

- (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing;
- (e) a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Second Deposit Date and addressed to the Purchasers, certifying the matters set forth in (d) above;
- (f) the Seller shall have executed a mandate letter, or obtained a binding credit-approved commitment, with respect to the Equipment Financing, subject only to customary conditions;
- (g) the Equity Financing shall have been completed (for purposes of determining compliance with this condition, the amounts required in US Dollars shall be converted from Canadian Dollars at the Bank of Canada noon exchange spot rate on the Business Day preceding completion of the Equity Financing);
- (h) the Seller shall have made submissions to the Ministry of Energy and Natural Resources of the Republic of Armenia for the amendments to Mining Permit SHATV-29/245, the Mining Right and the Environmental Impact Assessment referred to in Section 3.3(f);
- (i) evidence satisfactory to the Purchasers' Agent that all Material Project Authorizations required for the then current stage of development as contemplated by the Mine Plan have been obtained and that the Seller has complied with all conditions provided for therein;
- (j) the Purchasers shall have received an update on the status of ongoing activities and surveys, including the bear survey and cultural heritage survey, land acquisitions and potentilla porphyrantha translocation, acceptable to the Purchasers' Agent, acting reasonably;
- (k) the permanent hiring of the in-country project development team for the Project, satisfactory to the Purchasers, shall have been completed;
- (l) the construction of the Project shall be in substantial conformance with the Construction Budget and the Project Schedule;
- (m) all Orders and Authorizations necessary for the completion of the transactions contemplated by the Key Transaction Documents shall have been obtained;
- (n) no Order or Applicable Law, which restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Key Transaction Documents shall be in effect; and

- (o) no action or proceeding, at law or in equity, shall be pending or threatened by any Person or Governmental Body to restrain, enjoin or prohibit the consummation of the transactions contemplated by the Key Transaction Documents.

3.6 Delivery of Documentation to Purchasers

The Purchasers' Agent shall provide the Purchasers with copies of all opinions, documents and certificates delivered by Lydian and the Seller pursuant to Sections 3.3 and 3.5 prior to funding of the First Deposit and Second Deposit, as applicable.

3.7 Satisfaction of Conditions Precedent

- (a) Each of the Parties shall use all commercially reasonable efforts, and take all commercially reasonable action as may be necessary or advisable, to satisfy and fulfil all the conditions set forth in Sections 3.3, 3.4. and 3.5 (including any conditions to completion of the Private Placement set forth in the Subscription Agreements) by the date provided or, if no date is provided, as promptly as reasonably practicable. The Parties shall co-operate in exchanging such information and providing such assistance as may be reasonably required in connection with the foregoing.
- (b) Each of the conditions set forth in Sections 3.3, 3.4. and 3.5 is for the exclusive benefit of the Purchasers, and may be waived by the Purchasers' Agent, at the direction of the Majority Purchasers in their sole discretion, in whole or in part in writing.
- (c) For greater certainty, the absence of satisfaction of any or all of the conditions set forth in Sections 3.3, 3.4. and 3.5 shall not relieve Lydian or the Seller from its obligations under this Agreement.
- (d) Notwithstanding anything to the contrary contained herein, the Parties hereby acknowledge that the conditions set forth in Sections 3.3, 3.4 and 3.5 have been satisfied and fulfilled and the Purchasers have made the First Deposit and Second Deposit as of the date of this Agreement.

3.8 Intentionally Deleted.

3.9 Obligation to Complete Private Placement

- (a) Each of the Purchasers agrees to, or to cause its Affiliates to, subscribe for and purchase the ordinary shares of Lydian to be subscribed for by it or its Affiliates pursuant to the Private Placement, subject to the following conditions:
 - (i) the Concurrent Public Offering shall constitute a public offering of subscription receipts, exchangeable into ordinary shares and ordinary share purchase warrants of Lydian, for aggregate gross proceeds of not less than \$25,000,000;

- (ii) the ordinary shares issued pursuant to the Private Placement shall be priced at a discount of 3% to the Concurrent Public Offering, but shall not in any event exceed C\$0.35;
 - (iii) the Private Placement shall be completed generally on the same terms and conditions of the Concurrent Public Offering, provided that the subscription of the Purchasers or their Affiliate(s), as applicable, shall be made on the terms and conditions of the Subscription Agreements (for greater certainty, the Purchasers' obligation to complete the Private Placement shall be subject to the conditions precedent specified in the Subscription Agreement); and
 - (iv) the closing of the Private Placement shall occur concurrently with the release of the net proceeds from the Concurrent Public Offering to Lydian (it being acknowledged that the release of such proceeds to Lydian will be conditional on the concurrent closing of the Private Placement).
- (b) The obligation of the Purchasers or their Affiliates to execute the Subscription Agreements pursuant to Section 3.9(a) shall be subject to receipt by each of the Purchasers, on the date of execution, of a certificate from a senior officer of the Seller and Lydian certifying that:
- (i) all of the representations and warranties made by the Lydian Group Members pursuant to the Stream Documents, as applicable, are true and accurate in all material respects (other than those representations and warranties which are subject to a materiality qualifier, which representations and warranties shall be true and accurate in all respects) as if made on and as of such date, except those representations made as of a specific date which shall continue to be true and accurate as of such date;
 - (ii) each of the Lydian Group Members has complied in all material respects with its covenants and obligations under the Stream Documents to which it is a party;
 - (iii) no Material Adverse Effect has occurred since the Execution Date; and
 - (iv) no Seller Event of Default has occurred and is continuing, and no event which with notice or lapse of time or both would become a Seller Event of Default has occurred and is continuing,

and the Purchasers shall be satisfied with the accuracy of such certificate.

- (c) Any Purchaser may assign its rights and obligations, in whole or in part, in respect of the subscription for ordinary shares of Lydian pursuant to the Private Placement to one or more of its Affiliates, to the IFC or one or more of its Affiliates, or to another Purchaser, without the consent of the Seller or Lydian. Any such assignment shall be effective upon written notice to the Seller and Lydian. Except as otherwise permitted by this Section 3.9(c), no Purchaser may