

Court File No. CV-19-00633392-00CL

**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

**MOTION RECORD
(Re: Sanction and Implementation Order)
(Returnable June 29, 2020)**

REDACTED VERSION

June 24, 2020

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TAB 1

Court File No. CV-19-00633392-00CL

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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Applicants

**NOTICE OF MOTION
(Re: Sanction and Implementation Order)
(Returnable June 29, 2020)**

Lydian International Limited ("**Lydian International**"), Lydian Canada Ventures Corporation ("**Lydian Canada**") and Lydian U.K. Corporation Limited ("**Lydian UK**", and together with Lydian International and Lydian Canada, the "**Applicants**") will make a motion to Chief Justice Morawetz on June 29, 2020 at 10:00 a.m. via videoconference due to the COVID-19 crisis. The videoconference details are available upon request to all interested parties. Please advise if you intend to join the hearing of the motion by emailing Nicholas Avis at navis@stikeman.com.

PROPOSED METHOD OF HEARING:

This motion is to be heard orally or in any other suitable manner to be decided by the presiding judge.

THE MOTION IS FOR:

1. An Order, substantially in the form of the draft order attached at Tab 3 of this Motion Record (the "**Sanction and Implementation Order**"), *inter alia*:
 - (a) declaring that the Meeting of the Affected Creditors (the "**Meeting**") held on June 19, 2020 was duly convened and held, all in accordance with the Order of this Court granted June 18, 2020 (the "**Meeting Order**");

- (b) sanctioning and approving the Applicants' Plan of Arrangement (the "**Plan**") as approved at the Meeting Order Motion, a copy of which is attached as Schedule "A" to the draft Sanction and Implementation Order;
- (c) increasing the DIP Charge to capture the DIP Exit Credit Facilities (as defined in the Plan);
- (d) extending the stay of proceedings (the "**Stay Period**") as follows:
 - (i) with respect to Lydian International, to the earlier of (i) the date the CCAA Termination Certificate is issued, and (ii) December 21, 2020;
 - (ii) with respect to Lydian Canada and Lydian UK and the Non-Applicant Stay Parties, until and including the date of the filing of the Monitor's Plan Implementation Termination Certificate;
- (e) issuing the Letter of Request to the Royal Court of Jersey, in the form attached as Schedule "D" to the draft Sanction and Implementation Order;
- (f) sealing the unredacted version of the affidavit of Edward Sellers sworn June 24, 2020 (the "**Sellers Sanction Affidavit**");
- (g) approving the Monitor's activities to date, as set out in its Fifth Report to the Court dated June 16, 2020 (the "**Fifth Report**"), its Sixth Report to the Court dated June 22, 2020 (the "**Sixth Report**"), and its Seventh Report to the Court, to be filed (the "**Seventh Report**");
- (h) approving the fees of the Monitor and its counsel through to June 23, 2020;
- (i) dispensing with the requirement for the Monitor and its counsel to pass their accounts for the period from and after June 24, 2020;
- (j) authorizing the Monitor to perform the activities provided for in the Plan or which are necessary and incidental to implementing the Plan, which are to be taken by the Monitor; and

- (k) providing for mechanisms to terminate the CCAA Charges, the CCAA proceedings and the discharge of the Monitor.

THE GROUNDS FOR THE MOTION ARE:

Capitalized Terms

1. Capitalized terms not expressly defined herein have the meanings ascribed to them in the Sellers Sanction Affidavit. All references to currency are references to United States dollars;

Overview

2. The Applicants are part of a corporate group ultimately owned by Lydian International. The Applicants' business consists of the exploration and development of the Amulsar gold mine located in south-central Armenia, which is operated by Lydian Armenia;
3. Due to a confluence of factors, including the adverse effects of ongoing illegal blockades at the Amulsar mine, the Applicants sought and received the Initial Order granting them protection under the CCAA on December 23, 2019. Alvarez & Marsal Canada Inc. was appointed as the Monitor;
4. The Initial Order granted a stay of proceedings in respect of the Applicants and the Non-Applicant Stay Parties until January 2, 2020, which was subsequently extended on five occasions and now expires on June 30, 2020;
5. The Applicants sought and obtained recognition of these CCAA proceedings by the Royal Court of Jersey in February 2020;

The Applicants' Current Financial Circumstances

6. The Applicants have, without success, tried to remedy their current situation by, among other things:
 - a) engaging in negotiations with the GOA and commencing legal proceedings in Armenia to remove the illegal blockades at the Amulsar mine;

- b) retaining BMO to canvas the market for potential refinancing or sale opportunities with respect to the Lydian Group's mining assets; and
 - c) retaining BMO to run a process to solicit third-party financing of a proposed Treaty Arbitration against the GOA;
- 7. The Senior Lenders have, until recently, supported the Applicants' efforts to preserve and protect the Amulsar mine and the Applicants' attempts to monetize their assets;
- 8. The Senior Lenders have provided the Applicants with more than \$8 million in DIP financing to date;
- 9. The Affected Claims of the Senior Lenders currently total in excess of \$300 million, and the secured obligations owing to the Equipment Financiers are an additional approximate \$90 million;
- 10. Interest and financing expenses on the obligations owing to the Senior Lenders and the Equipment Financiers continues to accrue at a rate of approximately \$45-55 million per year;
- 11. The Senior Lenders have made it clear that they are no longer prepared to support the ongoing CCAA proceedings or the independent efforts of the Applicants to seek value from the Lydian Group's assets, and they are prepared to take enforcement steps with respect to the Lydian Group's property;
- 12. The Applicants have no alternative sources of financing to continue operations, to pursue the SISP or Treaty Arbitration financing solicitation process, or these CCAA proceedings;
- 13. In the circumstances, the least destructive option available to the Applicants is the implementation of the Plan, for the benefit of the Applicants and all of their stakeholders;
- 14. The Plan enables the Applicants to bring about an orderly transition of their assets to the Senior Lenders, minimizes any collateral impacts on Lydian Armenia and other stakeholders, and provides for the orderly wind down of the proceedings before this Court and the Royal Court of Jersey;

15. Without the Plan, the Applicants would face a choice between (a) waiting for the Senior Lenders to enforce their security; or (b) filing alternative bankruptcy, administration, or liquidation proceedings across multiple jurisdictions;
16. The Senior Lenders are prepared to fund the additional costs associated with the implementation of the Plan;

The Plan

17. The Plan:
 - (l) implements a corporate and financial restructuring of the Applicants;
 - (m) minimizes adverse tax consequences by assigning or settling intercompany debts owing to the Applicants prior to the Effective Time;
 - (n) provides for the equivalent of an assignment of substantially all of the assets of Lydian International to SL Newco by amalgamating Lydian Canada with SL Newco;
 - (o) provides for a corresponding orderly wind up, and financing of such wind up, of Lydian Jersey and an orderly disposition or winding up, and financing thereof, of the affairs of certain subsidiaries of Lydian Jersey;
 - (p) permits Restructured Lydian and its shareholders/stakeholders to determine the manner and timing of pursuing any strategy post the Plan Implementation Date;
 - (q) permits Lydian Canada and Lydian UK to exit CCAA proceedings on the Plan Implementation Date; and
 - (r) permits Lydian Jersey to exit CCAA proceedings upon the earlier of (i) completion of (a) to (d) above, or (ii) an Order of the Court terminating the CCAA proceedings;
18. The Plan provides for a Plan Implementation Date of June 30, 2020;

19. Only the Senior Lenders are affected by the Plan, and as such only the Senior Lenders were eligible to vote on the Plan;
20. The Applicants' unsecured creditors and equity claimants are unaffected by the Plan;

The Meeting

21. The Monitor convened the Meeting to vote on the Plan on June 19, 2020;
22. The Plan was only presented to the Senior Lenders;
23. The Required Majority of the Affected Creditors voted in favour of the Plan Resolution (as those terms are defined in the Meeting Order);
24. The detailed results of the Meeting are set out in the Monitor's Sixth Report;

DIP Amendment

25. This Court originally approved the DIP Agreement on March 11, 2020 and subsequently approved an amendment thereto on April 30, 2020;
26. The Plan contemplates another amendment to the DIP Agreement to capture the additional amounts to be advanced for the DIP Exit Credit Facilities;
27. The DIP Exit Credit Facilities will provide the Applicants with additional funding of \$1,866,000, which will enable the Applicants to take the steps necessary to implement the Plan and terminate these CCAA proceedings;
28. The Applicants are seeking to increase the DIP Charge to capture the amount to be advanced under the DIP Exit Credit Facilities;

Letter of Request

29. The Plan contemplates the winding-up of Lydian International pursuant to the J&E Process under Jersey Law;

30. To facilitate the J&E Process, the Applicants' local Jersey counsel has advised that it would be best for this Court to issue a Letter of Request seeking the Royal Court of Jersey's assistance in the winding-up of Lydian International;

Termination of these CCAA Proceedings and the Discharge of the Monitor

31. Pursuant to the Plan, the Monitor will file the Plan Implementation Certificate on the Plan Implementation Date certifying that the Monitor has received written notice from the Applicants that all of the conditions precedent set out in the Plan have been satisfied or waived, and that the Effective Time has occurred;
32. The filing of the Plan Implementation Certificate will have the effect of, *inter alia*:
- (a) terminating the CCAA Proceedings with respect to Lydian UK and Lydian Canada, and removing these entities from the title of proceedings;
 - (b) terminating the Directors' Charge and the Transaction Charge, and excluding BMO's monthly work fee from the Administration Charge;
 - (c) authorizing the Monitor to maintain the Post-Implementation Date Expenses Reserve as contemplated by the Plan and making certain payments therefrom; and
33. Upon satisfying certain conditions, including the disbursement of the Remaining Post-Implementation Date Expenses and the transfer of any remaining Post-Implementation Date Expenses Reserve to Restructured Lydian, the Monitor will file the CCAA Termination Certificate, which will have the effect of:
- (a) terminating the DIP Charge and the Administrative Charge;
 - (b) discharging the Monitor; and
 - (c) terminating the CCAA Proceedings.

Sealing

34. The Applicants are seeking to seal the unredacted Sellers Sanction Affidavit because it contains commercially sensitive information that, if disclosed, could impact future refinancing and sale efforts;

Approving the Monitor's Activities & Fees

35. The Monitor has undertaken various activities pursuant to its mandate in these CCAA proceedings;
36. The Applicants seek to have the activities detailed in the Fifth Report, Sixth Report and Seventh Report approved by this Court;
37. The Monitor and its counsel further seek approval of the fees and disbursements of the Monitor and its counsel up to and including June 23, 2020;

Extension of the Stay Period

38. The Applicants have been working diligently with the assistance and oversight of the Monitor to bring to the Plan to fruition;
39. The Applicants' current Stay Period expires on June 30, 2020. The Applicants require that the Stay Period be extended with respect to:
- (a) Lydian International until and including the earlier of (i) the filing of the Monitor's CCAA Termination Certificate, and (ii) December 21, 2020; and
 - (b) Lydian Canada and Lydian UK and the Non-Applicant Stay Parties until and including the date of the filing of the Monitor's Plan Implementation Termination Certificate;
40. An extension of the Stay Period is in the best interests of the Applicants and their stakeholders;

Other Grounds

41. The provisions of the CCAA, including sections 6 and 11 thereof;
42. The provision of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, including s. 137(2) thereof;
43. The provisions of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, including r. 2.03, 3.02 and 37 thereof; and
44. Such further and other grounds as counsel may advise and this Court may permit.

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

45. the Sellers Sanction Affidavit;
46. the affidavit of Edward A. Sellers sworn June 15, 2020 in connection with the Plan Meeting Motion;
47. the affidavit of Mark Caiger sworn June 11, 2020 in connection with the Plan Meeting Motion;
48. the Fifth Report of the Monitor dated June 16, 2020
49. the Sixth Report of the Monitor dated June 22, 2020;
50. the Seventh Report of the Monitor, to be filed; and
51. Such further and other materials and evidence as counsel may advise and this Honourable Court may permit.

June 24, 2020

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SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

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(Returnable June 29, 2020)**

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TAB 2

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Applicants

**AFFIDAVIT OF EDWARD A. SELLERS
(Sworn June 24, 2020)**

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. 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 and Non-Applicant Stay Parties as necessary. Where I have relied upon information from others, I believe the information to be true.

3. This affidavit is sworn in support of a motion (the "**Sanction Motion**") brought by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**", and such proceedings, the "**CCAA Proceedings**") seeking an Order (the "**Sanction and Implementation Order**"), substantially in the form attached as Tab 3 of the Applicants' Motion Record:

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- (i) declaring that the Meeting of Affected Creditors held on June 19, 2020 was duly convened and held, all in accordance with the Meeting Order;
- (ii) sanctioning and approving the Applicants' Plan of Arrangement (the "**Plan**") as approved by a requisite majority of Affected Creditors at the Meeting, in accordance with the Plan Meeting Order (each as defined below), a copy of which is attached as Schedule "A" to the Sanction and Implementation Order;
- (iii) increasing the DIP Charge to capture the DIP Exit Credit Facilities (as defined in the Plan);
- (iv) extending the stay of proceedings as follows:
 - i. with respect to Lydian International to the earlier of (i) the date the CCAA Termination Certificate (as defined below) is issued, and (ii) December 21, 2020;
 - ii. (b) Lydian Canada and Lydian UK and the Non-Applicant Stay Parties until and including the date of the filing of the Monitor's Plan Implementation Termination Certificate (as defined below);
- (v) issuing the Letter of Request to the Royal Court of Jersey, in the form attached as Schedule "D" to the Sanction and Implementation Order;
- (vi) sealing the unredacted version of the within affidavit;
- (vii) approving the Monitor's activities to date, as set out in its Fifth Report to the Court dated June 16, 2020 (the "**Fifth Report**"), the Sixth Report to the Court dated June 22, 2020 (the "**Sixth Report**") and the Seventh Report to the Court to be filed (the "**Seventh Report**");
- (viii) approving fees of the Monitor and its counsel through to June 23, 2020;
- (ix) dispensing with the requirement for the Monitor and its counsel to pass their accounts for the period from and after June 24, 2020; and

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- (x) authorizing the Monitor to perform the activities provided for in the Plan or which are necessary and incidental to implementing the Plan, which are to be taken by the Monitor; and
- (xi) providing for mechanisms to terminate the CCAA Charges, the CCAA Proceedings and discharge of the Monitor.

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

PART 1 - BACKGROUND

5. I repeat and rely on my affidavit filed in these proceedings sworn June 15, 2020 (the “**Plan Meeting Order Affidavit**”), and the affidavit of Mark Caiger sworn June 11, 2020 (the “**BMO Affidavit**”), copies of which (without exhibits) are attached hereto as **Exhibit “A”** and **“B”**, respectively. Capitalized terms not otherwise defined herein are as defined in the Plan Meeting Order Affidavit, a copy of which, along with all other materials filed in the CCAA Proceedings, is available on the Monitor’s website for these proceedings (the “**Monitor’s Website**”) at <https://www.alvarezandmarsal.com/Lydian>.

(a) The Meeting

6. On June 18, 2020 (the “**Plan Meeting Order Motion**”), the Court granted the Plan Meeting Order, a copy of which is attached hereto as **Exhibit “C”**. Pursuant to the Plan Meeting Order, the Applicants were authorized to call and conduct the Meeting of Affected Creditors to vote on the Plan, a copy of which was attached as Schedule “A” to the Plan Meeting Order.

7. The Meeting Order set out the quantum of the Affected Claims for voting purposes, as follows:

Affected Creditor	Affected Claim
Orion	\$165.73 million
Osisko	\$70.91 million
RCF	\$67.70 million
Total	\$304.34 million

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8. As noted in the Sixth Report, the Meeting took place on by way of Zoom videoconference on June 19, 2020 at 10:00 a.m. EST. The required quorum to hold the Meeting was satisfied, as each of the Affected Creditors, being Resource Capital Fund VI L.P. ("**RCF**"), Orion Co IV (ED) Limited, a division of Orion Capital Management ("**Orion**"), and Osisko Bermuda Limited ("**Osisko**"), along with their respective counsel, were present in person via video conference at the Meeting.

9. As outlined in the Sixth Report, each of Orion and Osisko voted in the affirmative in respect of the Plan, while RCF voted against the Plan. The value of the claims of Orion and Osisko comprise 77.8% of the total value of the Affected Creditors who were present and voting. Accordingly, the Plan was approved by the Required Majority of the Affected Creditors, as it received an affirmative vote from a majority in number of Affected Creditors (representing at least two-thirds in value of the Affected Creditors present and voting).

(b) Final Form of Plan

10. The Plan attached to the Plan Meeting Order, on which the Affected Creditors voted, was finalized in principle and substantially complete. The Applicants understand that there may be certain additional minor modifications to the Plan before the hearing of the Sanction Motion. If any further changes are made to the Plan prior to the Plan Sanction Motion, the Applicants will provide a copy of the revised Plan to the Court and to the Service List, along with a blackline showing the changes made.

DIP Exit Credit Facilities

11. As noted in the Plan Meeting Order Affidavit, the Plan provides for an amendment to the DIP Agreement to capture the additional amounts to be advanced for the DIP Exit Credit Facilities (the "**DIP Exit Facility Amendment**"). The DIP Exit Facility Amendment, contemplated in section 4.1 of the Plan, is in the process of being finalized. The Applicants will provide a copy of the final DIP Exit Facility Amendment to the Court and to the Service List when it becomes available, by way of a supplemental affidavit.

Summary of the Plan

12. The Plan was described in detail in the Plan Meeting Order Affidavit. As outlined therein:

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- a) The Plan was presented to only the Senior Lenders, who are the Applicants' only secured creditors. All of the Applicants' unsecured creditors, including the Equipment Financiers are Unaffected Creditors in the Plan. Equity Claimants of Lydian International are also unaffected by the Plan, however it is intended that the equity interests of Lydian International will be dealt with as part of the J&E Process (as defined below). As Unaffected Creditors, these groups did not have a right to vote or participate in the Plan;
 - b) The purpose of the Plan is to (a) implement a corporate and financial restructuring of the Applicants, (b) provide for the assignment or settlement of all intercompany debts owing to the Applicants prior to the Effective Time to, among other things, minimize adverse tax consequences to Lydian Armenia and its stakeholders, (c) provide for the equivalent of an assignment of substantially all of the assets of Lydian International to an entity owned and controlled by the Senior Lenders ("SL Newco"), through an amalgamation of Lydian Canada with SL Newco resulting in a new entity ("**Restructured Lydian**"), and (d) provide a release of all of the existing indebtedness and obligations owing by Lydian International to the Senior Lenders. The Plan will result in the privatization of the Lydian Group to continue as the Restructured Lydian Group (as defined in the Plan).
13. The Plan recognizes and continues the priority position of the Senior Lenders in the Restructured Lydian Group. Secured creditors and unsecured creditors with claims at or below Restructured Lydian will continue to maintain their claims in the Restructured Lydian Group, including Lydian Armenia, with the same priority as they previously had, ranking behind the Senior Lenders.
14. Stakeholders with claims at the Lydian International level will continue to have their claims on the Plan Implementation Date, which continue and are intended to be addressed through the proposed J&E Process in Jersey. Equity claims and unsecured claims against Lydian International will not be assumed by Restructured Lydian as part of the Plan. This is reflective of the current commercial realities facing the Applicants and their inability to meet their secured obligations for the past two years.

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15. The Plan provides for specific releases, including releases of claims of the specified entities of the Lydian Group, and/or proposed releases of directors and officers (“D&Os”), the Monitor and the Senior Lenders, as outlined in section 6.6 of the Plan. A chart summarizing the specific releases provided for in the Plan and their proposed effect is attached hereto as **Exhibit “D”**.

16. The releases were critical components of the negotiations and decision-making process for the D&Os and Senior Lenders in obtaining support for the Plan and resolving these CCAA Proceedings for the benefit of the Restructured Lydian Group, including Lydian Armenia, and all of its stakeholders.

17. The Released Parties made significant contributions to the Applicants’ restructuring, both prior to and throughout these CCAA Proceedings. The extensive efforts of the D&Os and the Senior Lenders for over two years, and the additional direct and indirect financial contribution from the Senior Lenders in excess of \$39 million during that time (including DIP Loans in excess of \$8 million during the CCAA Proceedings), resulted directly in the preservation of the Lydian Group’s business, provided numerous opportunities for the Applicants to seek to monetize their assets for the benefit of stakeholders generally and led to the successful negotiation of the Plan for the benefit of the Restructured Lydian Group, including Lydian Armenia, and all of its stakeholders.

Background to the Plan

18. As noted in my earlier affidavits, including the April Stay Extension Affidavit, the Supplementary April Stay Extension Affidavit and the Plan Meeting Order Affidavit:

- a) the Lydian Group has been supported by the Senior Lenders for over two years while numerous attempts were made to: respond to the illegal blockades at the Amulsar site, to return to the Amulsar site and to complete construction and resume operations;
- b) the Senior Lenders and Equipment Financiers entered into a number of contractual forbearance agreements from October 2018 to December 2019, when agreement on terms for continued forbearance could not be achieved. The Senior lenders would have been in a position to enforce their security at that time but for the CCAA Proceedings;

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- c) the Senior Lenders provided additional financial support including through further direct cash advances in excess of \$20 million, and consent to consume internally generated liquidity in excess of \$19 million since the illegal blockades began, including the provision of additional DIP Loan advances subsequent to April 30 2020 in excess of \$4 million;
- d) the Equipment Financiers have started to take enforcement steps in respect of equipment owned by Lydian Armenia, with CAT and ING having obtained an order lifting the CCAA stay of proceedings and Ameriabank issuing a notice preliminary to enforcement in respect of its equipment financing. The Equipment Financiers appear to have demonstrated their level of ongoing support and involvement with the Lydian Group in that regard;
- e) the Applicants, with the assistance of BMO, have made numerous attempts to monetize the Lydian Group's assets for the benefit of all stakeholders since the Spring of 2018. [REDACTED]
[REDACTED]. The market has spoken in respect of potential transactions in the context of illegal blockades and the current political climate in Armenia;
- f) the liquidity made available to the Applicants since April 30, 2020 has been conditioned on the Applicants: i) proposing a restructuring that would be equivalent to the Senior Lenders enforcing their security over the shares of Lydian Canada; and ii) meeting a deadline to exit the CCAA Proceedings imposed by a majority of the Applicants' Senior Lenders, or further enforcement steps would be taken; and
- g) the Senior Lenders confirmed that they would not fund the costs of Lydian International complying with its public disclosure requirements beyond the first financial quarter of 2020, and these costs were not included in the DIP financing provided to the Applicants in March and April 2020. On June 1, 2020, upon the expiry of a blanket exemption provided by the Canadian Securities Administrators for meeting public disclosure requirements, Lydian International issued a press

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release announcing that it had not and would no longer be making further required public disclosure filings. The press release also gave notice that all further disclosure relating to the Applicants would be made available on the Monitor's Website, along with all other materials filed in the CCAA Proceedings. A copy of the June 1, 2020 press release is attached hereto as **Exhibit "E"**.

19. The Senior Lenders have made it clear that they are no longer prepared to support independent efforts by the Applicants to seek value from the Lydian Group's assets and are prepared to take enforcement steps with respect to the Lydian Group's property. The Applicants have no alternative sources of financing to continue operations, or pursue the SISP or Treaty Arbitration financing solicitation process. In the circumstances, the least destructive alternative available to the Applicants is to implement the Plan, for the benefit of the Restructured Lydian Group, including Lydian Armenia, and all of its stakeholders.

20. The Applicants, with the assistance of BMO, and together with the Senior Lenders, have considered their options in respect of the potential commencement and financing of the Treaty Arbitration against the GOA.

21. The Applicants have canvassed the availability of litigation financing from internal and external sources. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] The Applicants will not be in a position to pursue any financing of the Treaty Arbitration before June 30, 2020, even if such a financing were available.

22. The Applicants have considered factors such as estimated time and cost of pursuing the Treaty Arbitration, and enforcement risks. Ultimately, timing to initiate the Treaty Arbitration was influenced by earlier monetization efforts relating to Lydian Armenia's assets through the SISP, and ongoing attempts to focus on re-entry to the site and restarting operations.

23. The Applicants have worked together with their advisors, the Senior Lenders and the Monitor to structure the Plan. Various factors were taken into consideration in determining the response to the proposed enforcement steps by the Equipment Financiers and Senior Lenders, and in developing the structure and terms of the Plan, including:

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- a) the Affected Claims of the Senior Lenders currently total in excess of \$300 million. The secured obligations to the Equipment Financiers are approximately an additional \$90 million. Interest and financing expenses on the obligations to the Senior Lenders and the Equipment Financiers have continued to accrue at a rate of approximately \$45-55 million per year since the commencement of the illegal blockades;
- b) in addition to debt related expenses, the ongoing carrying costs of the Lydian Group since the illegal blockades began have only been financed to date by depleting existing internal sources or through additional financial support from the Senior Lenders. A conservative estimate of the projected operating costs of the Restructured Lydian Group, including Lydian Armenia, without regard for costs to complete construction, exceeds approximately \$5.3 million per year;
- c) the Senior Lenders have provided in excess of approximately \$8 million in DIP financing to date, in order to enable the Applicants and Non-Applicant Stay Parties to take various steps to preserve their assets and pursue various monetization efforts during the CCAA Proceedings, and a majority of the Senior Lenders are prepared to provide an additional \$1.866 million to assist the Applicants in implementing the Plan;
- d) the Applicants with the assistance of BMO have made numerous attempts to monetize the Lydian Group's assets for the benefit of all stakeholders. These attempts are described in the BMO Affidavit. No transaction which would satisfy the Lydian Group's secured obligations is currently available to the Applicants;
- e) as noted in the BMO Affidavit, the solicitation process for the financing of the Treaty Arbitration yielded only ■ non-binding expressions of interest, none of which were ultimately developed into a firm proposal for the financing of the Treaty Arbitration. Each of the expressions of interest received contemplated that any financing provided for the conduct of the Treaty Arbitration be secured by charges that would rank ahead of the obligations owing to the Senior Lenders, together with a sharing of the Treaty Award (as defined below). This is consistent

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with my understanding of industry practice in other litigation financing arrangements;

- f) pursuing the Treaty Arbitration is not open to the Applicants, and if initiated would require an extended period to litigate and significant additional financial resources;
- g) prior to any recovery for stakeholders of Lydian International beyond the Senior Lenders, any Treaty Award (as defined below) that would flow to Lydian International would have to exceed: a) the amounts owed to the Senior Lenders, inclusive of interest and financing costs accrued during the Treaty Arbitration process through to successful completion and enforcement of any judgment; b) the operating and carrying costs of the Amulsar Project during that period; and c) the litigation costs and financing costs for the Treaty Arbitration plus any sharing of the Treaty Award (as defined below). Unsecured creditors would then be entitled to any next share in any net recovery;
- h) the Plan as proposed recognized the structural priorities of the Senior Lenders and preserves all secured and unsecured claims in the Restructured Lydian Group; and
- i) the Applicants are not in a position to defend the Senior Lenders' enforcement steps or continue the CCAA Proceedings without significant additional financial support.

(c) Stakeholder Communications

24. A limited number of parties have reached out to the Applicants and/or the Monitor since the issuance of the June 1, 2020 press release and the Plan Meeting Order to raise concerns in respect of the proposed Plan. Those stakeholders include:

- a) ING, an Equipment Financier;
- b) Maverix Metals ("**Maverix Metals**"); and
- c) Various shareholders and/or counsel purporting to represent shareholders.

25. The Court has also received direct correspondence from certain shareholders. The Applicants and the Monitor have responded to those concerns in the following terms to date.

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26. At the hearing of the Plan Meeting Order Motion, counsel for ING outlined ING's concern regarding the effect of the winding up of Lydian International, including with respect to any rights ING may have to the proceeds of a Treaty Arbitration award (the "**Treaty Award**") as the holder of an unsecured guarantee from Lydian International for any deficiency claim ING may have subsequent to realization of their security over Lydian Armenia's equipment. This overlooked ING's contractual rights vis a vis Lydian Canada and Lydian UK under a Waiver and Consent Agreement dated November 26, 2018, between ING and the Applicants and Lydian Armenia (the "**Waiver**"), a copy of which is attached as **Exhibit "F"**.

27. Pursuant to section 2.4 of the Waiver, the Applicants agreed that, immediately upon receipt of any funds received by or on behalf of Lydian Canada or Lydian UK (other than certain permitted dividend payments), each of those entities, as the case may be, would pay and transfer such funds to Lydian Armenia (the "**Re-Investment Obligation**").

28. ING previously raised the impact of the Waiver with the Applicants in October 2019 as part of the forbearance discussions then. ING's position then appeared to be that the Waiver elevated their right to recovery from any Treaty Award vis-à-vis other unsecured creditors of Lydian Armenia. At that time, I stated it was the Applicants' position that the obligations owing to ING in respect of any unsecured deficiency claim at Lydian Armenia, and ING's rights as a claimant pursuant to section 2.4 of the Waiver, are both unsecured obligations which are subordinate to the secured claims of the Senior Lenders. As outlined in my Initial Affidavit, the Senior Intercreditor Agreement signed by the Senior Lenders and ING provides that ING's security in the property of Lydian Armenia, other than the equipment which ING financed, is subordinate to the security interests held by the Senior Lenders, which secure Lydian Armenia's obligations under the Credit Agreement and the Stream Agreement.

29. ING did not pursue the matter further until the forbearance discussions that took place in December 2019t, at which time ING again raised the prospect of the Waiver elevating its recovery rights in some manner. I reiterated the Applicants' position to ING that there was no ability to improve ING's position beyond the documentation that already existed, which remain subordinate to the Senior Lenders, but noted that if the Senior Lenders were paid in full, the

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Applicants would still have the contractual Re-Investment Obligation under the Waiver to contribute any proceeds received by Lydian Canada or Lydian UK to Lydian Armenia.

30. At the Plan Meeting Order Motion, counsel for ING indicated that it was not objecting to the issuance of the Plan Meeting Order, but would reserve its rights to object to the Sanction and Implementation Order if those issues remained unresolved. The Applicants invited ING to put forward their legal position with respect to the rights that would allegedly be impaired through the Plan.

31. After the Plan Meeting Order was granted, the Applicants and a majority of the Senior Lenders continued to engage with ING in order to better understand ING's concerns. I understand that a majority of the Senior Lenders have provided certain assurances to ING that the Plan was not intended to compromise ING's rights as they currently exist pursuant to the Waiver and/or unsecured deficiency claims.

32. The Plan does not affect the Waiver or the Re-Investment Obligation – The Plan maintains the *status quo* in respect of all claims and responses relating to the Waiver Agreement and the Re-Investment Obligation.

33. Pursuant to the Plan, any claims which ING has at the Lydian International level will not be extinguished by the Plan itself, but will remain in their subordinated priority, and are intended to be dealt with during the J&E Process that is proposed in Jersey.

Maverix Metals

34. I have had an opportunity to review previous agreements entered into by Lydian International and discuss the history of the interests Maverix Metals holds with counsel at Stikeman Elliott LLP involved at the relevant times. Maverix Metals, by way of apparent assignment, has an unsecured payment obligation from Lydian International in respect of a 'Quarterly Payment Option' that came into effect in March 2018 when a default previously occurred under a Royalty Agreement entered into in 2010 with Newmont Overseas Exploration Limited ("**Newmont**"), as the original holder of the interests. Lydian International had been a 'Grantor' under the 2010 Royalty Agreement, as were Lydian Armenia and Lydian Resources Armenia Limited ("**Lydian Resources**"). Lydian Resources granted a pledge (the "**Share**

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Pledge") of all its shares in Lydian Armenia (the "**Shares**") to Newmont in 2010 to secure the obligations under the Royalty Agreement.

35. When the Senior Lenders provided their credit facilities to Lydian Armenia in 2015, Newmont entered into a Subordination Agreement under which they agreed to limit their rights regarding the Share Pledge and postpone, but not waive, any realization steps they might take in that regard for the benefit of the Senior Lenders. The Subordination Agreement includes acknowledgments that: i) the Shares qualify as common collateral with the Senior Lenders; (ii) Maverix Metal's interests in the Shares are junior in all respects to the Senior Lenders; (iii) rights to take any enforcement steps in respect of the Shares are postponed, and (iv) obligations not to oppose restructuring steps taken by the Senior Lenders.

36. Newmont agreed to convert the royalty entitlement under the Royalty Agreement into a future cash payment obligation in 2018, through the Quarterly Payment Option, and the Royalty Agreement was terminated. The payment obligations of Lydian International as a joint and several liability with Lydian Armenia and Lydian Resources continues, as does the Share Pledge and the obligations of Maverix Metals, as apparent assignee, to abide by the terms of the Subordination Agreement. A copy of the Subordination Agreement dated December 3, 2015 is attached as **Exhibit "G"** to my affidavit.

37. Pursuant to the Plan, any claims which Maverix Metals has at the Lydian International level (which are unsecured) will not be extinguished by the Plan itself, but will remain in their subordinated priority, and are intended to be dealt with during the proposed J&E Process in Jersey. Any claims which Maverix Metals has as against Restructured Lydian and the entities below it in the Restructured Lydian Group after the Plan Implementation Date, will remain structurally, and continue to rank behind the Secured Lenders after the Plan Implementation Date.

Communications with Shareholders

38. In the Fifth Report, the Monitor noted that it had received communications from shareholders prior to and since the filing of the Plan Meeting Order materials, and Lydian International's press release announcing the Plan Meeting Order Motion. During the Plan Meeting Order Motion, it became known that shareholders have also communicated directly with

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the Court. I understand that the Monitor will be further updating the Court regarding this information in advance of the Sanction Motion.

39. I have also received and had direct communications with shareholders prior to and since the filing of the Plan Meeting Order materials, regarding the lack of any recovery through the Plan for Lydian International shareholders. This was consistent with and principally related to prior communications from Lydian International shareholders regarding their disappointment that Lydian International had not pursued the Treaty Arbitration.

40. The Applicants share the shareholders' frustration of Amulsar being the subject of illegal blockades and repeated failures by the GOA and local officials to ensure a return to the site, resumption of construction and completion of development at the Amulsar Project. The financial losses incurred as a result have been significant, and many stakeholders have suffered as a result, including Lydian International shareholders in Armenia and hundreds of Armenian employees, contractors and suppliers.

41. As noted in the Plan Meeting Order Affidavit, a few minority shareholders have initiated class action proceedings in Armenia against the GOA and Armenian Police, in connection with the failure to remove the blockades from the Amulsar site and the corresponding financial losses resulting from the cessation of all construction activity at the Amulsar Project.

42. As noted above, numerous monetization efforts for Lydian Armenia's mining assets and funding solicitations for the Treaty Arbitration have not resulted in any currently available

or finance pursuit of the Treaty Arbitration or underwrite extensive projected costs to maintain Lydian Armenia. Three minority shareholders who previously advocated for pursuit of the Treaty Arbitration were approached during the initial phase of the solicitation process for the financing of the Treaty Arbitration, but did not ultimately submit any bids to provide the necessary litigation financing required for the Treaty Arbitration. Neither did RCF or Orion, who collectively own over 43% of the shares of Lydian International.

43. The Applicants do not have the ability to repay their secured obligations, have no independent means of financial support, have not been financially supported by their shareholders (other than Orion and RCF) and are no longer in a position to defend the enforcement efforts of secured lenders to the Lydian Group, including the Equipment Financiers.

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44. The Company's press releases have reflected the deteriorating financial position of the Company, copies of which are attached hereto as **Exhibits "H"**.

(d) Litigation

45. As noted in the Plan Meeting Order Affidavit, the Applicant's local counsel in Armenia advised that a proposed class action had been announced in Armenia by eleven minority shareholders of Lydian International as against the GOA and Armenian police, in connection with the failure to remove the blockades from the Amulsar site and the corresponding financial losses resulting from the cessation of all construction activity at the Amulsar Project. I understand from Armenian counsel that on June 17, 2020, the Armenian Administrative Court accepted the proposed class action for a hearing, which is the initial step in the conduct of the litigation. A copy of an unofficial English translation of the Administrative Court's decision in that regard is attached as **Exhibit "I"**. As noted in the Plan Meeting Order Affidavit, Armenian counsel have advised that the proposed class action is still in its preliminary stages, and it is uncertain whether the proposed class action will receive any meaningful response from the GOA prior to June 30, 2020, or at all.

PART 2 - SANCTIONING AND IMPLEMENTATION OF THE PLAN

(a) Preparation for Implementation of the Plan

46. Since the Plan Meeting Order was issued, the Applicants have been working with the Senior Lenders to prepare to take the necessary steps to implement the Plan, including by taking steps to prepare to wind up Lydian US, and Lydian Zoloto pursuant to the Plan, and preparing for the J&E Process, as outlined below.

(b) Sanctioning of the Plan

47. The terms of the Plan are described in detail in the Plan Meeting Order Affidavit. As noted in the Plan Meeting Order Affidavit, the Applicants proposed the Plan with the aim of providing an efficient mechanism to transition the Lydian Group's affairs, and avoid uncoordinated enforcement steps that would be taken by the Senior Lenders on the Lydian Group's property to the detriment of the Lydian Group's stakeholders generally. The Applicants consulted

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extensively with each of the Senior Lenders and the Monitor in the preparation of the Plan over the course of many weeks.

48. The other options available to the Applicants in the circumstances - enforcement steps being taken by the Senior Lenders, or the possibility of filing alternative bankruptcy or liquidation proceedings across multiple jurisdictions - each result in the Applicants' assets transitioning to the Senior Lenders. However, achieving this through the Plan provides an orderly transition, minimizes collateral impacts on the Applicants' principal operating subsidiary (Lydian Armenia) and numerous other stakeholders, and provides for winding down the proceedings before this Court and the Jersey Court. I understand the Monitor is supportive of the sanctioning and implementation of the Plan in the circumstances.

49. While the main focus of the Plan addresses the privatization of Lydian Canada and its subsidiaries, as previously described a secondary element of the Plan involves rationalizing the other subsidiaries of Lydian International, including Lydian Resources Georgia Limited ("**Lydian Georgia**") and Georgian Resource Company LLC ("**Lydian GRC**", and together with Lydian Georgia, the "**Georgia Subsidiaries**"), so as to avoid their uncontrolled collapse and resolve their affairs with the support and funding provided by the Senior Lenders under the Plan.

50. The Plan provides that Lydian International will transfer and assign the shares of Lydian Georgia and the intercompany debt of approximately \$2.8 million owed to Lydian International by Lydian GRC (the "**GRC-Jersey Interco Debt**") to a party related to Lydian Armenia's Managing Director (the "**Lydian Georgia Purchaser**"), who provided Lydian GRC with approximately \$140,000 last year to permit it to avoid default (the "**Georgia Rescue Loan**"). As consideration therefor, the Lydian Georgia Purchaser shall, and shall cause the Georgia Subsidiaries to, release Lydian International and all of the current and former directors and officers of Lydian International, and the Georgia Subsidiaries from any and all claims.

51. I have reviewed the history of the Georgia Subsidiaries, and the previous financial and operating assistance provided to Lydian GRC by Lydian International. The Senior Lenders have secured guarantees from both Lydian Georgia and Lydian GRC in respect of all of the obligations owed to the Senior Lenders by Lydian Armenia.

52. In September 2018, after having previously provided approximately \$2.8 million in financial support for Lydian GRC, the Senior Lenders made it a condition of forbearance and

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further credit availability for the Lydian Group that no further direct financial support be provided by the other members of the Lydian Group to the Georgia Subsidiaries.

53. Lydian GRC is the holder of an exploration and development license in the Republic of Georgia, which is currently scheduled to expire in or about October 2021. In September 2018, without any direct financial support from the Lydian Group, the Georgia Subsidiaries were forced to cease all operation and lay off all of their employees. The Georgia Rescue Loan was provided in the Summer of 2019 to permit Lydian GRC to satisfy employee termination obligations that had been unpaid for many months and avoid an imminent default in the performance of its exploration and development license.

54. The Senior Lenders were canvassed in March 2019 regarding their preparedness to provide further financial support for the Georgia Subsidiaries. The Senior Lenders declined. During the Summer of 2019 three parties expressed interest on an unsolicited basis in looking at a potential transaction involving the Georgia Subsidiaries, but none advanced the prospects further after being asked to sign or actually signing a non-disclosure and confidentiality agreement.

55. In order to fulfil any potential in the exploration and development license, the Lydian Georgia Purchaser has indicated over \$1.5 million is needed and work must commence this year. The Lydian Georgia Purchaser is not prepared to make that investment in view of the existing guarantees of the Georgia Subsidiaries and the GRC-Jersey Interco Debt. Neither is any other party known to Lydian International.

56. The GRC-Jersey Interco Debt is uncollectable on any basis at this time. The Senior Lenders have indicated that they do not wish to maintain any interest in the Georgia Subsidiaries and have agreed as part of the Plan to let this transaction proceed. I believe the proposed transaction is fair in the circumstances and offers a means of transitioning the Georgia Subsidiaries into safe hands, without letting underlying permits lapse, and respects the support provided by the Lydian Georgia Purchaser in having advanced the Georgia Rescue Loan.

57. The Applicants are unaware of any unauthorized, unlawful or bad faith steps being taken by the Applicants or any of the Non-Applicant Stay Parties in these CCAA Proceedings. Throughout the entirety of these CCAA Proceedings, the Applicants have kept the Monitor and

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this Court appraised of all material aspects of the conduct and activities of the Applicants and the Non-Applicant Stay Parties, and the key issues the Applicants have worked to resolve.

PART 3 - ANCILLARY RELIEF AND CCAA TERMINATION PROCESS

58. In addition to the sanctioning of the Plan, the Applicants seek some ancillary relief to assist with the coordination and implementation of the Plan and subsequent J&E Process, as set out below.

(a) DIP Exit Credit Facilities

59. The DIP Exit Facility Amendment contemplates that the amount of \$1,866,000 will be made available to the Applicants through the DIP Exit Credit Facilities. This additional funding is necessary to enable the Applicants to take the steps necessary to implement the Plan and terminate the CCAA Proceedings.

60. The Applicants are seeking an increase to the DIP Charge in order to reflect the amounts to be advanced under the DIP Exit Credit Facilities. The Plan provides that the DIP Charge will be terminated on the CCAA Termination Date.

(b) Extension of Stay Period

61. Since the Plan Meeting Order Motion, the Applicants, with the oversight and assistance of the Monitor, have been focused on taking steps to prepare for the implementation of the Plan, and finalizing the DIP Amendment in connection with the DIP Exit Credit Facilities.

62. The Applicants are requesting an extension of the Stay Period for Lydian International until and including the earlier of (i) the issuance of the CCAA Termination Certificate (as defined below) and (ii) December 21, 2020 to enable the remaining Applicant and the Monitor to take the steps necessary to implement the Plan and terminate the CCAA Proceedings. Among other things, this extension of the Stay Period will enable the Monitor to disburse the Remaining Post-Implementation Date Expenses in accordance with the Plan and transfer any unused funds in the Post-Implementation Date Expenses Reserve to Restructured Lydian. This additional time will also permit the Monitor and remaining Applicant, Lydian International, to commence and complete the proposed J&E Proceedings.

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63. The DIP Exit Credit Facility is expected to provide the Applicants with sufficient funding to take the steps necessary to implement the Plan and terminate the CCAA Proceedings.

64. Since the granting of the Amended and Restated Initial Order, the Applicants have continued to act diligently and in good faith in respect of all matters relating to the CCAA Proceedings, and will continue to do so during the proposed extension of the Stay Period.

(c) J&E Process and Letter of Request

65. As noted in the Plan Meeting Order Affidavit, the Applicants' counsel in Jersey, Mourant Ozannes LLP ("**Mourant**"), have advised that it would assist the J&E Process if another Letter of Request were issued by this Court, seeking the Royal Court's assistance in the winding-up of Lydian International pursuant to the J&E Process.

66. The Applicants have worked with Mourant to finalize the Letter of Request, including incorporating comments received from the Viscount of the Royal Court. The Applicants are seeking that this Court issue the Letter of Request, substantially in the form attached hereto as **Exhibit "J"**, in order to obtain the Viscount's and the Royal Court's assistance in implementing the J&E Process, as contemplated in the Plan.

67. The Applicants are currently working with Mourant to prepare and finalize the affidavits and other material required to be filed with the Royal Court as part of the application to initiate the J&E Process. It is anticipated the J&E process will be formally initiated on or about July 7, 2020. This will involve the following steps:

- a) the drafting of an originating process and evidence to commence proceedings before the Royal Court (the "**J&E Materials**");
- b) convening an initial hearing (the "**Initial Hearing**") to obtain orders and directions of the Royal Court setting out the directions to the substantive hearing including the process for service of the J&E Materials on the creditors and shareholders, which is expected to take place within a couple of weeks of the filing of the J&E Materials, and the listing of a substantive hearing date;
- c) service of the J&E Materials on the creditors and shareholders of Lydian International following the Initial Hearing in accordance with the service methods

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stipulated by the Court, and complying with any other orders and directions made by the Court at the Initial Hearing which, provided that the Court agrees to permit the creditors and shareholders to be served with notice via the Monitor's Website, is expected to take two weeks from the date of the Initial Hearing;

- d) attendance at the substantive hearing to obtain orders of the Royal Court (the “**J&E Order**”) to initiate the J&E Process and appoint two individual joint liquidators from Deloitte LLP as liquidators; and
- e) the conduct of the liquidation itself, which involves the consideration of claims (including equity claims) against Lydian International, the investigation of Lydian International’s assets and liabilities, the collection and distribution of the same, culminating in the formal winding up of Lydian International, which is expected to take approximately 2-3 months on the basis that no significant creditor led investigations into the affairs of Lydian International are to be undertaken by the joint liquidators, to be completed following the granting of the J&E Order.

68. Lydian International has retained the services of two individual joint liquidators from Deloitte LLP to act as the professional liquidators to carry out the J&E Process.

69. Pursuant to the terms of the Recognition Order, the Monitor’s appointment as Monitor of Lydian International was registered in the rolls of the Royal Court, and the appointment of the Monitor was notified to the Jersey Financial Services Commission. It is anticipated that there will be coordination between the recognition proceedings in Jersey and the proposed J&E Proceedings, and Lydian International and the Monitor will continue to remain available to the Royal Court and Mourant to update the Court on the implementation of the Plan and completion of the Canadian CCAA Proceedings.

(d) Approval of Monitor’s Activities

70. The Monitor has filed the Fifth Report in connection with the motion seeking the issuance of the Plan Meeting Order, the Sixth Report, as required by the Plan Meeting Order and will be filing the Seventh Report as part of the Sanction Hearing. The Monitor is seeking approval of its

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activities, as detailed in the Fifth, Sixth and Seventh Report. The Applicants have reviewed the activities set out in the Fifth and Sixth Report and support the approval of the same.

71. The Monitor also seeks approval of its fees through to June 23, 2020. As contemplated in the Plan, if sanctioned, the Monitor and its counsel will not be required to pass their accounts for services rendered from and after June 24, 2020.

(e) Termination of CCAA Proceedings and Discharge of the Monitor

72. The Plan provides that the Monitor will file a certificate (the “**Plan Implementation Certificate**”) on the Plan Implementation Date, certifying that the Monitor has received written notice from the Applicants that all of the conditions precedent set out in the Plan have been satisfied or waived, and that the Effective Time has occurred. Upon the filing of the Plan Implementation Certificate:

- a) the CCAA Proceedings with respect to Lydian UK and Lydian Canada will be terminated, and the title of proceedings will be changed to remove those entities as Applicants;
- b) the Directors’ Charge and the Transaction Charge shall be terminated, and the Administration Charge shall no longer include BMO’s monthly work fee; and
- c) the Monitor will be authorized to maintain the Post – Implementation Date Expenses Reserve as contemplated by the Plan, and may be entitled to make such payments from the Post-Implementation Date Expenses Reserve to and for the purposes outlined in Schedule “A” to the Plan upon written direction from Lydian International, provided there are sufficient funds remaining in the Post-Implementation Date Expenses Reserve to make such payments.

73. The Plan further provides that the upon receipt by Lydian International of an invoice for payment and written direction from Lydian International, the Monitor shall promptly disburse the Remaining Post-Implementation Date Expenses to the parties with Remaining Post-Implementation Date Expenses in accordance with, and up to the maximum stated in, Schedule “A” to the Plan. Following payment of all of the Remaining Post-Implementation Date Expenses, the Monitor shall transfer any unused funds in the Post-Implementation Date Expenses Reserve

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to Restructured Lydian. Upon confirmation in writing that the steps set out in the Plan and the J&E Process have been completed, the Monitor shall file a certificate (the “**CCAA Termination Certificate**”) confirming that the CCAA Termination Date has occurred, at which time:

- a) the DIP Charge and the Administrative Charge shall be terminated;
- b) the Monitor shall be discharged; and
- c) the CCAA Proceedings shall be terminated.

(f) Sealing

74. The within affidavit contains commercially sensitive information, including certain information regarding the expressions of interest received by BMO through the solicitation process for the financing of the Treaty Arbitration. The Applicants are concerned that the GOA or a third party potentially interested in financing the Treaty Arbitration may use the information in this affidavit to the detriment of the Lydian Group and Restructured Lydian in the future. As a result, the Applicants are seeking that the commercially sensitive provisions of this affidavit be sealed pending further Order of this Court.

I confirm that while connected via video conference technology, Edward A. Sellers showed me the front and back of his government-issued photo identity document and that I am reasonably satisfied it is the same person and the document is current and valid. I confirm that I have reviewed each page of this affidavit with Edward A. Sellers and verify that the pages are identical.

Sworn before me by video conference from the Town of Rosseau, Ontario to the City of Toronto, Ontario, on June 24, 2020.

DocuSigned by:
Sanja Sopic
E820930A2731482...

Commissioner for Taking Affidavits

DocuSigned by:
Edward A. Sellers
8F33066161C145B...

Edward A. Sellers

TAB A

EXHIBIT "A"

referred to in the Affidavit of

EDWARD A. SELLERS

Sworn June 24, 2020

DocuSigned by:
Sanja Sopic
E820930A2731482...

Commissioner for Taking Affidavits

Court File No. 19-00633392-00CL

**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 June 15, 2020)**

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. 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.
3. This affidavit is sworn in support of a motion brought by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**", and such

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proceedings, the “**CCAA Proceedings**”) seeking an Order (the “**Meeting Order**”), substantially in the form attached as Tab 3 of the Applicants’ Motion Record:

- a) accepting the filing of a plan of arrangement of the Applicants under the CCAA and *Business Corporations Act* (British Columbia) (the “**BCBCA**”) dated June 15, 2020 (the “**Plan**”) with the Court;
 - b) approving, pursuant to section 22 of the CCAA, the classification of creditors as set out in the Plan for the purposes of the Meeting (defined below) and voting on the Plan;
 - c) authorizing and directing the Applicants to call, hold and conduct a meeting of their Affected Creditors (as defined below) to vote on the Plan (the “**Meeting**”);
 - d) authorizing notice of the Meeting to be effected through service of the Meeting Order (when issued) on counsel for the Affected Creditors;
 - e) approving the procedures to be followed at the Meeting, including voting procedures;
 - f) setting a date for the hearing of the Applicants’ motion for the Sanction and Implementation Order (the “**Sanction Hearing**”);
 - g) sealing the unredacted version of this affidavit and the unredacted version of the BMO Affidavit (as defined below); and
 - h) approving the Monitor’s activities to date, as set out in its Fifth Report to the Court, to be filed (the “**Fifth Report**”).
4. All references to currency in this affidavit are references to United States dollars, unless otherwise indicated.

PART 1 - OVERVIEW

5. The Applicants are hopelessly insolvent. The sole operating asset owned by the Applicants, the Amulsar mine, has been inaccessible since June 2018 due to illegal blockades and the associated actions and inactions of the Government of Armenia (“**GOA**”).

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6. The Applicants' secured lenders entered into numerous forbearances extending the timelines for repayment of the Applicants' indebtedness and have been the only parties funding the Applicants' efforts to find a solution to the situation caused by the illegal blockades. The Applicants' secured lenders have allowed the Applicants to retain multiple legal and financial advisors, engage in protracted negotiations with the GOA, and run multiple sales processes to source a third party investor or purchaser for the Applicants' mining assets and/or their claim against the GOA. Unfortunately, none of these efforts, which have spanned nearly two years, have yielded any third party transaction capable of completion which would satisfy the claims of the secured lenders.

7. In all this time, no other stakeholder has proposed to fund the Applicants' efforts to unlock any value from any of the Applicants' assets, despite numerous requests by or on behalf of the Applicants to that effect.

8. Nearly two years after the illegal blockades and the Applicants' financial deterioration commenced, the Applicants have incurred over \$137 million in dislocation expenses. After granting multiple forbearances and advancing over \$20 million in additional funding to support the Applicants' efforts to preserve and protect their investment in the Amulsar mine, the Applicants' secured lenders have advised that they are not prepared to continue to support further independent efforts by the Applicants.

9. As indicated in my affidavit sworn April 29, 2020 filed in the CCAA Proceedings, it has been a condition of additional funding provided to or for the benefit of the Applicants since April 30, 2020 that the Applicants pursue the completion of a restructuring in these proceedings, with a view to distributing the shares of Lydian Canada to or for the benefit of the Applicants' secured lenders (the "**Exit Plan**"), or face enforcement steps.

10. With no independently generated revenues and no alternative sources of funding available to the Applicants, the Applicants' choices are limited to either:

- a) seeing enforcement steps taken by the secured lenders, resulting in the privatization of the Applicants' assets through the enforcement of share pledges and other security;

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- b) seeking to file alternative bankruptcy, administration, or liquidation proceedings across multiple jurisdictions, in the absence of funds to do so; or
- c) implementing the Exit Plan through a plan of arrangement under the CCAA (the “Plan”).

11. All of these options result in the Applicants’ assets transitioning to the secured lenders. Only the last option of doing so through a Plan permits an orderly transition, minimizes collateral impacts on the Applicants’ principal operating subsidiary (Lydian Armenia) and numerous other stakeholders, and provides for winding down the proceedings before this Court and the Jersey Court.

12. The Applicants’ secured lenders are prepared to fund the additional costs associated with implementing such a Plan and the Applicants value the opportunity to exit these proceedings in an orderly manner.

PART 2 - BACKGROUND ON THE APPLICANTS AND LACK OF OPTIONS

13. I repeat and rely on my affidavits filed in these proceedings sworn December 22, 2019 (the “**Initial Affidavit**”), January 20, 2020 (the “**Comeback Affidavit**”), March 10, 2020 (the “**March Stay Extension Affidavit**”), April 27, 2020 (the “**April Stay Extension Affidavit**”) and April 29, 2020 (the “**Supplementary April Stay Extension Affidavit**”) in support of this motion. Copies of the Comeback Affidavit, the redacted March Stay Extension Affidavit, the redacted April Stay Extension Affidavit and the redacted Supplementary April Stay Extension Affidavit (without exhibits) are attached hereto as **Exhibit “A”, “B”, “C” and “D”** respectively. Capitalized terms not otherwise defined herein are as defined in the Comeback Affidavit. A copy of the Initial Affidavit and the March Stay Extension Affidavit is available, together with all other filings in the CCAA Proceedings, on the Monitor’s website for these proceedings at <https://www.alvarezandmarsal.com/Lydian>.

(a) The Destruction of the Applicants’ Business

14. As set out in my Initial Affidavit, the Applicants’ business consisted of the exploration and development of a gold mine located in south-central Armenia (the “**Amulsar Project**” or “**Amulsar**”). Beginning in June 2018 and continuing to date, Lydian Armenia and its employees,

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contractors and suppliers have been prevented from carrying out any development and construction work at the Amulsar Project due to a number of factors including ongoing illegal blockades at the site, and duplicative and unnecessary environmental audits and investigations with respect to the Amulsar Project that have been conducted or requisitioned by the GOA.

15. At the time the blockades commenced, construction at the Amulsar site was approximately 75% complete. The blockades caused extensive delays in the Amulsar Project's development schedule, forced Lydian Armenia in the short term to dismiss in excess of 90% of its workforce and terminate substantially all its supply relationships, and caused the Lydian Group to default on substantially all of its obligations to its lenders. From 2018 to date the situation has worsened, and less than twenty people remain employed full time by Lydian Armenia.

16. The Applicants' dire financial and operational challenges have been chronicled and described in various press releases of Lydian International. Attached as **Exhibits "E", "F", "G" and "H"** are copies of sample press releases announcing the onset of the illegal blockades, the Applicants' efforts to resolve the illegal blockades with the GOA and within the Armenian court system, the commencement and outcome of the ELARD audit, and the GOA's ongoing failure to restore the Lydian Group's access to the site.

(b) The Applicants' Debt Levels

17. As outlined in my Initial Affidavit, at the commencement of the CCAA Proceedings, the Lydian Group had liabilities totaling approximately \$395 million, the majority of which related to secured obligations owing under various term loans and streaming obligations to Orion Co IV (ED) Limited, a division of Orion Capital Management, Resource Capital Fund VI L.P. and Osisko Bermuda Limited (collectively, the **"Senior Lenders"**). The Senior Lenders are the Applicants' only secured creditors.

18. Since the commencement of the blockades in 2018, the Applicants have incurred over \$137 million in dislocation expenses over two years and have sought further financial support in the form of forbearance arrangements and cash advances from the Senior Lenders exceeding \$20 million.

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19. The Forbearance Agreements lapsed in December 2019 and the Applicants commenced these CCAA Proceedings on December 23, 2019.

20. During the CCAA Proceedings, the Senior Lenders agreed to provide DIP financing to the Applicants, totaling approximately \$7.009 million to date, in order to enable the Applicants and Non-Applicant Stay Parties to take various steps to preserve their assets and pursue various monetization efforts.

21. Interest on the obligations to the Senior Lenders and the Equipment Financiers (as defined below) has continued to accrue at a rate of between \$35-\$40 million per year since the commencement of the blockades, with an additional \$10-\$15 million of annual deferred financing cost accretion. In aggregate, the annual expense for debt related interest and deferred financing cost accretion is between \$45-\$55 million. In addition to debt related expenses, the ongoing operating costs of the Lydian Group have only been financed to date by depleting existing internal sources or through additional financial support from the Senior Lenders.

22. The Lydian Group's obligations to their secured lenders at the end of the first financial quarter in 2020 ("Q1 2020") had increased to an aggregate amount of \$375.4 million, and have increased further since owing to additional interest accruals and DIP facility advances. Total liabilities at the end of Q1 2020 were \$406.8 million.

23. In addition to the Senior Lenders, Lydian has secured obligations to its equipment financiers, CAT, ING and Ameriabank (the "**Equipment Financiers**"). At the commencement of the CCAA Proceedings, the approximate secured debt obligations owing to the Equipment Financiers were \$89.9 million. As of Q1 2020 a total of \$90.6 million was owed to the Equipment Financiers.

24. A summary of the Lydian Group's total indebtedness (inclusive of amounts owed to the Senior Lenders in their capacity as DIP Lenders) and its major shareholders as of the end of Q1 2020 is provided below:

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Entity	Shareholdings	Term Loan	Stream Agreement	Equipment Finance
Orion Mine Finance	88,836,000 shares (11.7%)	US\$161.1M		
Resource Capital Funds	243,183,333 shares (32%)	US\$27.2M	US\$34.6M	
Osisko Gold Royalties Ltd.		US\$4.3M	US\$57.6M	
Caterpillar Financial Services (UK) Limited				US\$26.5M
AB Svensk Exportkredit (publ)				US\$53.7M
Ameriabank CJSC				US\$10.4M
Total	332,019,333	US\$192.6M	US\$92.2M	US\$90.6M

25. The Applicants are in the process of updating the debt figures above through to May 31, 2020, and have initiated discussions with the Senior Lenders to seek agreement in that regard. The Applicants intend to include updated amounts in the Plan Meeting Order to be filed.

(c) The Applicants' Responses to Financial and Operational Challenges

26. As outlined in my Initial Affidavit and the other affidavits I have sworn in the CCAA Proceedings, the Lydian Group has been attempting to address the catastrophic financial and operational consequences of the ongoing illegal blockades, the GOA's inaction to remove the blockaders from the Amulsar site and the GOA's duplicative and unnecessary environmental audits for over two years. The Lydian Group's efforts in that regard have included the following:

- a) attempting to address issues which have resulted in stalled construction at the Amulsar site, including making repeated attempts to engage the GOA on removing the blockaders and restoring access to the site;

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- b) negotiating settlements for tens of millions of dollars in trade claims based on an abrupt cessation of construction at Amulsar;
- c) commencing legal proceedings in Armenia to enforce the rule of law and the removal of the blockaders from the Amulsar site, and participating in protracted appeal procedures with respect to those proceedings;
- d) expending significant time and resources to respond to various duplicative and unjustified environmental audits and orders with respect to the Amulsar site, including responding to Armenian litigation in connection with the environmental orders, and actively engaging in the ELARD audit;
- e) preparing for the possibility of gaining re-entry to the site and completing construction, including through a refreshed 43-101 Technical Report to support capital raising efforts;
- f) defensive and protective measures to stop the erosion of and enforcement on Lydian Armenia's assets, including efforts to winterize the site, negotiating multiple forbearance agreements with all secured lenders, and reaching enforcement settlement agreements with two of Lydian Armenia's Equipment Financiers (CAT and ING);
- g) efforts to reduce governance costs, including the cost associated with Lydian International's public platform, by reducing the number of directors and implementing certain governance changes of the subsidiaries of the Lydian Group;
- h) obtaining DIP financing from the Senior Lenders to enable the Applicants to continue their efforts in pursuing a transactional outcome for the Lydian Group through the SISP and take steps to preserve enterprise value; and
- i) making attempts to monetize the Lydian Group's assets through the SISP and the solicitation process for the financing of the Treaty Arbitration, which are further discussed below.

(d) The Applicants' CCAA Proceedings

27. In December 2019, when the last of the Forbearances Agreements expired, the Applicants sought 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.

28. The Initial Order was granted on December 23, 2019, and the Stay Period was subsequently extended to January 23, 2020. At the Applicants' motion returnable on January 23, 2020, the Court issued an Amended and Restated Initial Order which, among other things, expanded the Applicants' restructuring capabilities within the CCAA Proceedings. The Stay Period has been extended on various occasions and is currently set to expire on June 30, 2020.

29. On March 11, 2020 (the "**March Stay Extension Motion**"), the Court issued an Order approving BMO's engagement as the Applicants' financial advisor, and approving the DIP Agreement (the "**March Stay Extension Order**"). On April 30, 2020, the Court issued an Order amending the DIP Agreement and extending the stay of proceedings until June 30, 2020 (the "**April Stay Extension Order**"). Copies of the Amended and Restated Initial Order, the March Stay Extension Order and the April Stay Extension Order are attached hereto as **Exhibit "I"**, **"J"** and **"K"**, respectively.

30. The Applicants also sought and obtained a Letter of Request from this Court seeking the assistance of the Royal Court of Jersey (the "**Royal Court**") to assist the Applicants and the Monitor in advancing the Applicants' restructuring proceedings. Following the issuance of the Letter of Request, the Applicants worked with their Jersey counsel to prepare and finalize materials seeking the recognition of the CCAA Proceedings by the Royal Court.

31. On February 25, 2020, the Royal Court issued an order (the "**Recognition Order**") recognizing the Amended and Restated Initial Order in Jersey and granting certain protections to Lydian International and the Monitor in Jersey. On March 17, 2020, the Royal Court published reasons to accompany the Recognition Order. Copies of the Recognition Order and Recognition Reasons are attached hereto as **Exhibits "L"** and **"M"**, respectively.

32. Since the commencement of the CCAA Proceedings, the Applicants have engaged in discussions with all secured lenders to the Lydian Group and other stakeholders, and continued their discussions with the GOA in an effort to facilitate an end to the actions which resulted in

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Lydian Armenia's inability to access the Amulsar Project. To date, and despite the Company's best efforts, the Company has not been successful in gaining re-entry to the Amulsar site on any ongoing basis. As a result, the mine site has deteriorated significantly due to numerous factors, including exposure to harsh weather conditions and an inability to take steps to maintain and protect the equipment and structures on the site.

33. In addition (and as described in further detail in Part 3 below and in the affidavit of Mark Caiger sworn June 11, 2020 (the "**BMO Affidavit**"), the Applicants have pursued other monetization efforts including refinancing efforts, a potential sale involving all or part of the Lydian Group through the SISP or a financing of a proposed Treaty Arbitration against the GOA. The SISP process has not resulted in a transaction to date. The solicitation of financing for the Treaty Arbitration was put on hold at the request of the Senior Lenders during the course of the CCAA Proceedings.

34. CAT and ING sought to lift the stay of proceedings in the CCAA Proceedings in order to initiate enforcement steps. In early May, 2020, this Court issued orders lifting the stay of proceedings to enable CAT and ING to take enforcement steps with respect to their equipment. Copies of these orders are attached hereto as **Exhibit "N"** and **"O"**, respectively. CAT and ING are currently in a position to take enforcement steps at any time.

(e) Governance Challenges

35. Following the implementation of the governance changes described in the March Stay Extension Affidavit and the April Stay Extension Affidavit, the majority of the Lydian Group's directors resigned. Additional directors have not yet been appointed to any of the Applicants following consultation with the Lydian Group's senior lenders. Mr Victor Flores and I remain as the only directors of Lydian International, and I remain as the only director of Lydian Canada and Lydian UK.

36. The Lydian Group's D&O insurance coverage has been extended on a month to month basis, with the financial support of the Senior Lenders, since December 31, 2019. The Lydian Group's insurance broker ("**Marsh**") has confirmed that there can be no further extension to the existing D&O insurance coverage beyond June 30, 2020.

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37. Marsh has also confirmed that if any replacement D&O insurance coverage were sought: a) it would be assessed under existing underwriting criteria in view of the Lydian Group's deteriorating circumstances; b) the market for similar coverage has tightened considerably since December 2018 when the last D&O insurance was obtained; and c) the market for similar coverage typically only issues insurance for an annual term requiring premiums that are fully paid and non-refundable. Even if replacement D&O insurance coverage were available, it is likely to require a premium payment at or above the prior premium amount, which was ~\$975,000 per year.

38. The existing D&O insurance policy provides for the purchase of an extended reporting period of 6 years at a premium expense equal to 150% of the current annual premium. So even buying 'run-off' insurance would cost approximately \$1.5 million.

39. The Applicants do not have the financial capacity to buy replacement D&O insurance or 'run-off' insurance. Multiple attempts have been made to negotiate with the Senior Lenders for alternative protections for the Applicants' directors and officers. However, such protections are not available.

40. Therefore, I am not prepared to continue in my current roles beyond the expiry of the current D&O insurance on July 1, 2020. The Monitor has advised that they are not prepared to assume additional governance roles in respect of the Applicants. Accordingly, after June 30, 2020, absent a transition of the Applicants' assets to the Senior Lenders, the Applicants will not have a sufficient number of directors required by the applicable corporate statutes.

(f) Expiration of Senior Lenders' Support

41. As described above, the Senior Lenders have refrained from enforcing on their security for nearly two years. They have funded an additional \$20 million to or for the benefit of the Applicants and permitted the Applicants to incur over \$137 million in dislocation expenses to preserve and protect their investment in the Amulsar mine and support attempts to realize value for other stakeholders during that time. In April 2020, Orion acting as agent on behalf of the Senior Lenders (the "**Agent**"), advised that a majority of the Senior Lenders were no longer prepared to support independent efforts by the Applicants to seek value from the Lydian Group's assets and were prepared to take enforcement steps with respect to the Lydian Group's property. The Agent

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also advised that a majority of the Senior Lenders would not advance any further funds to the Applicants without a commitment by the Applicants to pursue the Exit Plan.

42. Accordingly, the DIP Amendment approved by this Court on April 30, 2020, contains a requirement for the Applicants to provide a term sheet or memo to the DIP Lenders in a form acceptable to Orion and either Osisko or RCF, acting reasonably, that sets out the terms, transactions, steps and timelines for the proposed completion of the Applicants' restructuring and prospective conclusion of the CCAA proceedings, with a view to distributing the shares of Lydian Canada to or for the benefit of Lydian International's Senior Lenders.

43. Since the extension of the Stay Period on April 30, 2020, the Applicants, in consultation with the Monitor, have been in dialogue with the Senior Lenders to establish a mechanism for an orderly transition of the Applicants' affairs going forward. The Applicants are seeking approval to circulate the Plan and hold a meeting of Affected Creditors (which is limited to the Senior Lenders) as they believe it represents the most efficient mechanism to effect an orderly transition of the Lydian Group's affairs and avoids uncoordinated enforcement steps being taken on the Lydian Group's property to the detriment of the Lydian Group's stakeholders generally.

(g) Cease Trade Order

44. As outlined in the Initial Affidavit, Lydian International has had two types of securities listed on the Toronto Stock Exchange ("TSX"). The trading of Lydian International's ordinary shares on the TSX was halted shortly after the commencement of the CCAA Proceedings after the Investment Industry Regulatory Organization of Canada was notified by Lydian International's legal counsel of the anticipated CCAA filing on the morning of December 23, 2020. On January 10, 2020, Lydian International issued a press release announcing that it had received notice that the TSX would be delisting Lydian International's ordinary shares effective at the close of market on February 5, 2020. A copy of this press release is attached hereto as **Exhibit "P"**. Lydian International did not appeal that decision or seek an alternative listing. Lydian International's ordinary shares were delisted at the close of market on February 5, 2020.

45. As a public company, Lydian International is subject to the regulatory regime imposed on public companies by the Province of Ontario and enforced by the Ontario Securities Commission (the "OSC"). Following the delisting of its shares in February 2020, Lydian International became

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a “venture issuer” under applicable securities laws, and remained subject to continuous disclosure obligations for all annual and interim filings for 2020, the preparation of which is expensive and time consuming.

46. The Senior Lenders confirmed that they would not fund the costs of Lydian International complying with its public disclosure requirements going forward, and these costs were not included in the DIP financing provided to the Applicants in March and April 2020. Given its extremely limited liquidity, Lydian International was not in a position to continue to comply with its public reporting requirements for 2020.

47. Due to Lydian International’s financial constraints, Lydian International alerted the OSC in February 2020 that it was not able to continue with its public disclosure going forward. As a result of the onset of the COVID-19 pandemic, the OSC granted a 45 day extension for any annual or interim filings that were due before June 1, 2020.

48. On June 9, 2020, the OSC issued a cease trade order against Lydian International for its failure to make the required interim filings for the first quarter of 2020. A copy of the Cease Trade Order is attached hereto as **Exhibit “Q”**.

PART 3 - THE APPLICANTS’ PREVIOUS EFFORTS TO MONETIZE THEIR ASSETS

49. As described in the Initial Affidavit, the Comeback Affidavit, the March Stay Extension Affidavit and the April Stay Extension Affidavit, the Applicants, in conjunction with BMO, have made extensive efforts to seek refinancing and sale opportunities with respect to the Amulsar Project over the last several years, as well as seeking financial support to pursue the Treaty Arbitration. As described below, these efforts have been unsuccessful to date.

50. In addition, the preparation of the Lydian Group’s 43-101 Technical Report involved 4 – 6 months of work across the entire Lydian Group, required in excess of \$1.25 million in professional costs and resulted in a substantial improvement to the financial profile of the Amulsar Project.

(a) SISP

51. As described in the Initial Affidavit, the Lydian Group retained BMO in 2018 to canvas potential refinancing or sale options and carry out the SISP. BMO’s efforts in carrying out multiple

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rounds of the SISP are described in detail in the BMO Affidavit. As set out in the BMO Affidavit, during the initial round of the SISP, BMO contacted 40 parties, including 18 potential strategic counterparties and 22 potential financial counterparties. The 9 parties who signed non-disclosure agreements were provided with access to a virtual data room (“VDR”) containing financial and operational information about the Lydian Group. Although the 2018 process generated potential interest from several parties, no transaction resulted from it.

52. In the Summer and Fall of 2019, BMO renewed its efforts in connection with the SISP based on the improved financial profile of the Amulsar Project identified in the 43-101 Technical Report and the GOA’s statements that they would support the reopening of the Amulsar Project. As described in the BMO Affidavit, during this second round of the SISP, BMO contacted 32 potential counterparties, including 31 potential strategic counterparties (16 of which were also contacted in 2018) and 1 potential financial counterparty. Several counterparties expressed concerns regarding the situation in Armenia, and Lydian Armenia’s continued inability to access the Amulsar site.

53. As set out in the BMO Affidavit, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

54. BMO and the Company continued to engage with the other potential purchaser who came forward during the second round of the SISP. As outlined in the BMO Affidavit, subsequent to the commencement of the CCAA Proceedings, discussions continued between this potential purchaser and one of the Company’s secured lenders to determine if a transaction could be implemented, with the support of the Applicants’ stakeholders. Those discussions took place over the holiday period in 2019, and continued through the spring of 2020. In early May 2020, it was determined unanimously by the Company’s senior lenders that a transaction with this potential purchaser would not be possible.

55. [REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

(b) Treaty Arbitration Financing

56. As outlined in the Initial Affidavit, in October 2019, the Lydian Group, with the assistance of BMO, commenced a process to solicit interest in financing the Treaty Arbitration. The Company sought potential outside financing for the Treaty Arbitration with the concurrence of the Senior Lenders as there was no commitment in place at the time with the Senior Lenders to finance the Treaty Arbitration, or related costs associated with maintaining the Company's operations during any Treaty Arbitration process.

57. BMO contacted 21 potential counterparties to determine their interest in financing the Treaty Arbitration, including established litigation and arbitration financiers with substantial funds under their management. BMO also contacted 3 existing shareholders of the Company who had expressed a potential interest in financing the Treaty Arbitration. Parties were provided with access to a VDR containing a selected set of arbitration-related documentation, following execution of a Common Interest Privilege and Confidentiality Agreement. Following the commencement of the CCAA Proceedings, BMO was in contact with 3 additional parties based on inbound inquiries received by the Monitor and the Company.

58. [REDACTED]

[REDACTED] However, these expressions of interest were not ultimately developed into a firm proposal for the financing of the Treaty Arbitration.

59. On the basis of input received from the Senior Lenders, and in accordance with the terms of the DIP Agreement, since January 23, 2020, the Applicants and BMO have not taken any material steps to advance the SISP process relating to financing the Treaty Arbitration. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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(c) Discussions with the GOA

60. As outlined in my Initial Affidavit, commencing in June 2018 and continuing to the present time, Lydian Armenia has been subjected to numerous unlawful and discriminatory actions. The actions increased in number and worsened over time. They have harmed the Lydian Group, 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 requirements; and ii) defend the company's environmental standards and actions, and its reputation in Armenia and internationally.

61. Despite numerous attempts to negotiate a potential return to the Amulsar site with the GOA over the past two years, discussions on access have been unsuccessful and the Company has been unable to secure the GOA's confirmed commitment to permit a return to the site.

(d) Litigation

62. The Applicant's local counsel in Armenia have advised that a proposed class action has been announced in Armenia by eleven minority shareholders of Lydian International as against the GOA and Armenian police, in connection with the failure to remove the blockades from the Amulsar site and the corresponding financial losses resulting from the cessation of all construction activity at the Amulsar Project. The Applicants' local counsel in Armenia have advised that the proposed class action is still in its preliminary stages, and it is uncertain whether the proposed class action will receive any meaningful response from the GOA prior to June 30, 2020. The Applicants have been unable to obtain a copy of the pleadings at this time, but will provide translated copies of the pleadings to this Court when they become available.

PART 4 - SUMMARY OF THE PLAN

63. The Applicants drafted the Plan with the aim of providing an efficient mechanism to transition the Lydian Group's affairs, and avoid uncoordinated enforcement steps that would be taken by the Senior Lenders on the Lydian Group's property to the detriment of the Lydian Group's stakeholders generally. A copy of the Plan is attached hereto as **Exhibit "R"**. Any

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capitalized terms used in this Part but not otherwise defined have the meanings set out in the Plan.

64. The Plan is finalized in principle and substantially complete but modifications will be made to fill in some details, and a final version of the Plan will be given to Affected Creditors prior to the Meeting.

65. The below summary is not intended to be a comprehensive description of the Plan and readers are advised to review the text of the Plan carefully. In case of any discrepancy between the Plan and the below summary, the text of the Plan shall govern.

66. The Applicants consulted extensively with each of the Senior Lenders and the Monitor in the preparation of the Plan over a course of many weeks.

67. The Plan will be presented to only the Senior Lenders, who are the Applicants' only secured creditors. All of the Applicants' unsecured creditors, including the Equipment Financiers are Unaffected Creditors in the Plan. Equity Claimants of Lydian International are also unaffected by the Plan, however, as further described below, it is intended that the equity interests of Lydian International will be cancelled, extinguished and released as part of the J&E Process (as defined below). As Unaffected Creditors, these groups will not have a right to vote or participate in the Plan.

68. The purpose of the Plan is to (a) implement a corporate and financial restructuring of the Applicants, (b) provide for the assignment or settlement of all intercompany debts owing to the Applicants prior to the Effective Time to, among other things, minimize adverse tax consequences to Lydian Armenia and its stakeholders, (c) provide for the equivalent of an assignment of substantially all of the assets of Lydian International to an entity owned and controlled by the Senior Lenders ("**SL Newco**"), through an amalgamation of Lydian Canada with SL Newco resulting in a new entity ("**Restructured Lydian**"), and (d) provide a release of all of the existing indebtedness and obligations owing by Lydian International to the Senior Lenders. The Plan will result in the privatization of the Lydian Group, to continue as Restructured Lydian.

69. Further, the Plan provides for an orderly wind up, and the financing of such a wind up, of Lydian International and an orderly disposition or winding up, and financing thereof, of the affairs of certain subsidiaries of Lydian International (including Lydian US, Lydian Zoloto,

Lydian Georgia and Georgian Resource Company LLC (“**Lydian GRC**”)) which would include the release of all obligations and guarantees of such subsidiaries to the Senior Lenders, if any. The claims of Unaffected Creditors which are not dealt with in the Plan will be addressed through the wind up of Lydian International through a Just and Equitable Winding Up Process under Jersey law, described below (the “**J&E Process**”).

70. The Plan would enable the Applicants to terminate the CCAA Proceedings, see Lydian Canada and Lydian UK emerge from the CCAA Proceedings and have the Monitor discharged upon completion of these steps. The Plan contemplates that Restructured Lydian and its shareholders would determine the manner and timing of pursuing any strategy for the remainder of the Lydian Group following the implementation of the Plan.

(a) Steps to Plan

71. For ease of reference, a chart showing the Lydian Group’s current corporate structure is attached hereto as **Exhibit “S”**. The Plan involves the following material steps:

- a) the intercompany debt owed by Lydian Armenia to Lydian US totalling approximately \$3.2 million (the “**Armenia-US Interco Debt**”) will be assigned by Lydian US to Lydian International, such that Lydian Armenia will owe such indebtedness to Lydian International in exchange for the satisfaction of approximately \$3.2 million of an approximate total of \$12.7 million intercompany debt owing by Lydian US to Lydian International (the “**US-Jersey Interco Debt**”);
- b) Lydian US will repay \$9 million of the US-Jersey Interco Debt, and Lydian International will repay the entirety of a \$9 million intercompany debt it owes to Lydian US (the “**Jersey-US Interco Debt**”) by way of set-off;
- c) the remainder of approximately \$500,000 of the US-Jersey Interco Debt will be transferred and assigned by Lydian International to Lydian US as a capital contribution, without issuance of shares of common stock of Lydian US. The US-Jersey Interco Debt and the Jersey-US Interco Debt shall be fully released and discharged;

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- d) the amount loaned by Lydian Armenia to Lydian International pursuant to the Plan will be repaid by Lydian International by (i) setting off against the Armenia-Jersey Interco Debt (as defined below) the amount of Post-Implementation Date Expenses (as defined below) actually paid by the Monitor to the beneficiaries thereof, and such amount shall be fully, finally, irrevocably and forever compromised, released, discharged cancelled and barred without any liability, payment or other compensation in respect thereof, and (ii) the Monitor returning any unused funds to Lydian Armenia;
- e) Lydian International will assign to Lydian Canada the intercompany debt of approximately \$187 million owing by Lydian Armenia to Lydian International (the “**Armenia-Jersey Interco Debt**”) (less the amount loaned by Lydian Armenia to Lydian International pursuant to the Plan) and the Armenia-US Interco Debt assigned to Lydian International as set out above in exchange for Lydian Canada issuing common shares of Lydian Canada to Lydian International, in an amount to be determined prior to the Plan being presented to Affected Creditors for a vote, having a fair market value equal to Armenia-Jersey Interco Debt (less the amount loaned by Lydian Armenia to Lydian International pursuant to the Plan) and the Armenia-US Interco Debt;
- f) Lydian International will transfer and assign the shares of Lydian Resources Georgia Limited (“**Lydian Georgia**”) and the intercompany debt of approximately \$2.8 million owed by Lydian GRC to Lydian International (the “**GRC-Jersey Interco Debt**”) to a party related Lydian Armenia’s Managing Director, who provided GRC with approximately \$140,000 last year to permit GRC to avoid default (the “**Lydian Georgia Purchaser**”). As consideration therefor, the Lydian Georgia Purchaser shall, and shall cause Lydian Georgia and Lydian GRC to, release Lydian International and all of the current and former directors and officers of Lydian International, Lydian Georgia and Lydian GRC from any and all claims;
- g) Lydian International will transfer and assign all claims of Lydian International against Lydian Canada and any of its subsidiaries to Lydian Canada;

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- h) Lydian Canada and SL Newco will be amalgamated by arrangement pursuant to the BCBCA to form Restructured Lydian. The articles and share capital of Restructured Lydian shall be as set out in the Plan;
- i) the common shares of Lydian Canada held by Lydian International will be exchanged for the preferred share of Restructured Lydian to be held by Lydian International;
- j) the common shares of SL Newco held by Orion will be exchanged for one common share of Restructured Lydian;
- k) all obligations of each of SL Newco and Lydian Canada immediately prior to the amalgamation shall attach to Restructured Lydian, and Restructured Lydian shall continue to be liable for them;
- l) common shares of Restructured Lydian will be issued to the Senior Lenders in the amounts and proportions set forth in the Plan, as finalized before the Plan is presented to the Affected Creditors for a vote;
- m) New Directors will be appointed to the board of directors of Restructured Lydian by the Senior Lenders immediately prior to the Effective Time;
- n) New Directors will be appointed to the board of directors of Lydian International by the existing directors of Lydian International immediately prior to the Effective Time;
- o) the Restructured Lydian Preferred Share shall be redeemed by Lydian International in accordance with its terms;
- p) all Affected Claims and Released Claims shall be fully and finally released, as described below; and
- q) Restructured Lydian shall not be an applicant in the CCAA Proceedings and the style of cause in the CCAA Proceedings shall be immediately amended to remove Lydian Canada and Lydian UK as Applicants.

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72. The Stream Agreement, the Credit Agreement (including Term Facility B), and the DIP Agreement, as amended, will remain an outstanding obligation of Lydian Armenia with related guarantees from Restructured Lydian and its subsidiaries.

73. The Plan anticipates that the DIP Agreement will be further amended and additional amounts will be advanced to Lydian Armenia (the “**DIP Exit Credit Facilities**”) immediately prior to the Plan Implementation Date for the purpose of funding the implementation of the Plan and funding a reserve for the Post-Implementation Date Expenses (the “**Post-Implementation Expenses Reserve**”). The funds advanced under the DIP Exit Credit Facilities will be used to redeem the Restructured Lydian Preferred Share, and the balance of the DIP Exit Credit Facilities constituting the Post-Implementation Date Expenses Reserve shall be transferred to Lydian International and held by the Monitor, solely for the benefit of the Post-Implementation Date Expenses. The Monitor shall pay the Post-Implementation Date Expenses from the Post-Implementation Date Expenses Reserve upon, and in accordance with, receipt by Lydian International of an invoice for payment and written direction by Lydian International to the Monitor.

74. The Plan provides for a Plan Implementation Date on or prior to June 30, 2020.

(b) Treatment of Lydian Entities

75. The Plan contemplates that Lydian International will undergo a process for an orderly wind up through the J& E Process in Jersey, which is outlined below. Lydian US and Lydian Zoloto, will also be wound up and dissolved (the costs of which will to be provided for as Post-Implementation Date Expenses), and all other entities of the Lydian Group (other than Lydian Georgia and Lydian GRC) will remain and can be addressed by the Senior Lenders and Restructured Lydian following the Plan Implementation Date.

76. As noted above, Lydian International will transfer and assign the shares of Lydian Georgia and the GRC-Jersey Interco Debt to the Lydian Georgia Purchaser and, Lydian Georgia and Lydian GRC will provide the releases described above.

77. Following the Plan Implementation Date, the existing equity interests of Lydian International will be cancelled, released, and extinguished and will be of no further force and

effect, provided, however, that after the Effective Time: (i) the existing shareholders of Lydian International and other Equity Claimants with an Equity Claim against Lydian International shall retain their ordinary shares and Equity Claims against Lydian International until the Just and Equitable Winding up of Lydian International is effected, and (ii) the shares of Lydian International's subsidiaries shall remain outstanding and shall continue to be held by the existing holders of such shares, except as otherwise provided in the Plan.

(c) Just and Equitable Winding up of Lydian International

78. Mourant Ozannes LLP ("**Mourant**"), Lydian International's counsel in Jersey, has advised that the most cost-effective and efficient process to follow in order to wind up Lydian International is the J&E Process under Jersey law. I understand that the Royal Court of Jersey (the "**Royal Court**") has the jurisdiction to wind up a company where it is satisfied that it is just and equitable or it is expedient in the public interest that it be wound up.

79. If the Royal Court orders a winding up on just and equitable grounds, then it has wide powers to direct the conduct of the winding up, and may appoint a liquidator, direct the manner in which the winding up is to be conducted, and make such orders as it sees fit to ensure that the winding up is conducted in an orderly manner. Mourant has also advised that it is usual in a just and equitable winding up that all powers formerly exercisable by the directors become exercisable by the liquidator, and that the terms of the order regulating the winding up are otherwise bespoke in nature and can be tailored to suit the circumstances.

80. Mourant has further advised that at a minimum, the liquidator would be carrying out a statutory notification of their appointment to the Jersey Registrar and Lydian International's creditors, and would satisfy themselves of the assets and liabilities of Lydian International (through an initial investigation and assessment process). If necessary, the liquidator can also put into place a process of collecting and distributing assets, declaring a final dividend and reporting to creditors. I understand that Mourant estimates that it will take a month or so to obtain to obtain an order for the just and equitable winding up of Lydian International and the appointment of a liquidator, and a further 2-3 months, or possibly longer, for the liquidator to complete their work. The cost of implementing the J&E Process of Lydian International will form part of the Post-Implementation Date Expenses, as described below.

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81. The Applicants intend to work with a liquidator that is selected to tailor the order to suit the Applicants' circumstances, and will provide a draft copy of the liquidation order intended to be sought in the J&E Process prior to seeking an Order of this Court sanctioning the Plan.

82. As noted, the Applicants previously sought and obtained a Letter of Request from this Court seeking the assistance of the Royal Court of Jersey (the "**Royal Court**") to assist the Applicants and the Monitor in advancing the Applicants' restructuring proceedings. Mourant have advised that it would assist the J&E Process if another Letter of Request were issued by this Court, seeking the Royal Court's assistance in the winding-up of Lydian International pursuant to the J&E Process as part of the Plan. If the Plan is approved by the Requisite Majority, I understand that the Applicants will request that this Court issue another Letter of Request in connection with the Sanction Motion.

(d) Releases

83. The Plan provides for certain releases customary in plans of arrangement under the CCAA. The Plan will release:

- a) the Applicants, their employees, agents and advisors (including counsel) and each of the members of the Existing Lydian Group's current and former directors and officers (collectively, "**D&Os**") from any and all claims by any person (including, without limitation, holders of equity claims, and the GOA), except for (i) Lydian Canada's or Lydian UK's obligations under the Plan or incorporated into the Plan; (ii) the obligations of any member of the Existing Lydian Group other than the Released Guarantors under the Credit Agreement, the other Loan Documents (as defined in the Credit Agreement), the Stream Agreement, the Stream Documents (as defined in the Stream Agreement), the DIP Agreement and any other agreements entered into in relation to the foregoing, from and after the Plan Implementation Date, (iii) the obligations of any of the Applicants and the subsidiaries of the Restructured Lydian with respect to any Unaffected Claim, and (iv) in the case of the D&Os of the Applicants, those claims that are not permitted to be released pursuant to s. 5.1(2) of the CCAA;

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- b) the Monitor and its counsel from any and all claims by any person, including, without limitation, in connection with the Plan or the implementation thereof, including any distribution pursuant to the Plan, except for any claims arising from the willful misconduct or gross negligence of the Monitor or other applicable Released Party; and
- c) the Senior Lenders and each of their respective affiliates, affiliated funds, their directors, officers, employees, agents and advisors (including counsel) from any and all claims of any person, except for (i) the Senior Lenders' obligations under the Plan or incorporated into the Plan, or (ii) any claims arising from the willful misconduct or gross negligence of the applicable Released Party.

(e) Post-Implementation Date Expenses

84. As noted, the Plan anticipates that the DIP Exit Credit Facilities will fund the Post-Implementation Date Expenses, to be held by the Monitor in the Post-Implementation Date Expenses Reserve and disbursed in accordance with a written direction by Lydian International to the Monitor. The Post-Implementation Date Expenses consist of:

- a) all potential costs and expenses (including fees of Lydian International's counsel and Monitor and its counsel) estimated to be incurred and accrued related to any further stay extensions or motions at any time prior to the termination of the CCAA Proceedings;
- b) all estimated costs and expenses incurred and accrued up to the termination of the CCAA Proceedings by Lydian International and the other Released Guarantors, including all reasonable and documented fees of their advisors, the Monitor and its counsel and director insurance premiums incurred and accrued up to the termination of the CCAA Proceedings; and
- c) the costs and expenses estimated to be incurred in connection with or related to dissolving or winding up Lydian International, Lydian US and Lydian Zoloto,

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in each case, as set forth on, and in call cases, subject to the maximums set forth on Schedule "B" to the Plan, and such other amounts as the Senior Lenders may agree in writing.

85. On the Plan Implementation Date, in consultation with the Monitor, an amount equal to the Remaining Post-Implementation Date Expenses shall be paid by Lydian International to the Monitor and held by the Monitor in the Post-Implementation Date Expenses Reserve for the benefit of Lydian International and the parties with Post-Implementation Date Expenses not paid or satisfied on the Plan Implementation Date (the "**Remaining Post-Implementation Date Expenses**") in accordance with Schedule "B" to the Plan. The Monitor will disburse the Remaining Post-Implementation Date Expenses to the parties with Remaining Post-Implementation Date Expenses in accordance with Schedule "B" of the Plan upon receipt by Lydian International of an invoice for payment, a written direction from Lydian International and the written direction to be provided for in the Sanction and Implementation Order. Following payment of all of the Remaining Post-Implementation Date Expenses, the Monitor shall transfer any remaining funds in the Post-Implementation Date Expenses Reserve to Restructured Lydian immediately prior to the date that the CCAA proceedings are terminated.

(f) Conditions to Plan Implementation

86. It is anticipated that the conditions to the implementation of the Plan will be satisfied or waived on or before the Plan Implementation Date, such that the Plan can take effect at the Effective Time that day (the "**Effective Date**").

87. The Plan provides that the following conditions will have been met on or before the Effective Date:

- a) the Plan shall have been approved by requisite majority of voting Affected Creditors (majority of voting Affected Creditors representing two-thirds in value of voting Affected Creditors);
- b) the amalgamation of Lydian Canada and SL Newco shall have been approved by the shareholders of each of Lydian Canada and SL Newco in accordance with the articles of Lydian Canada and SL Newco, as applicable, and the BCBCA;

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- c) the CCAA Court shall have granted the Sanction and Implementation Order sanctioning the Plan substantially in the form agreed with the Applicants and satisfactory to the Monitor;
- d) all Post-Implementation Date Expenses incurred and accrued as of the Plan Implementation Date shall have been paid (unless otherwise agreed between the Applicants and the Monitor), and the Applicants, in consultation with the Monitor, shall be satisfied that adequate provision has been made in the Post-Implementation Date Expense Reserve for any Post-Implementation Date Expenses due or accruing due from and after the Plan Implementation Date;
- e) the Senior Lenders shall have funded the DIP Exit Credit Facility to Lydian Armenia and the subsequent transfers to Lydian International and the Monitor shall have taken place; and
- f) the Plan Implementation Date shall occur on or prior to June 30, 2020.

(g) Meeting Order

88. The proposed Meeting Order authorizes the Applicants to convene a meeting of a single class of creditors (that being the Affected Creditors) to consider and vote on the Plan.

89. The Meeting Order sets out the following timeline:

- a) June 19, 2020 at 10:00 a.m. (Toronto time): The date of the Meeting, which is to be held by live video conference;
- b) June 22, 2020: The latest date by which the Monitor is to file a report with respect to the results of the vote at the Meeting; and
- c) June 29, 2020: The date of the Sanction Hearing. Persons intending to oppose the application for a Sanction Hearing (the “**Sanction Motion**”) must (i) file and serve a Notice of Appearance by June 19, 2020 and (ii) serve their opposition materials by June 23, 2020.

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a. Notification

90. The Meeting Order provides that service by email of a copy of the Meeting Order (when issued) on counsel to all Affected Creditors constitutes good and sufficient service of the Meeting Order, the Plan and the Sanction Motion. The Applicants will also serve the within motion record, containing a copy of the Plan and draft Meeting Order, on the service list, and Lydian International will issue a press release announcing that the Applicants are seeking the issuance of the Meeting Order. The Applicants believe that, in the circumstances, this is an appropriate form of notice because (i) there is a small number of Affected Creditors, all of whom are represented by counsel; and (ii) counsel to the Affected Creditors have been highly engaged in these CCAA Proceedings in general and the development of the Plan in particular. As such, counsel to the Affected Creditors are already familiar with the proposed Meeting, Plan and Sanction Motion and do not require additional notice.

b. Conduct of the Meeting

91. The Meeting Order provides that a representative of the Monitor, designated by the Monitor, will preside as Chair of the Meeting and, subject to any further Order of this Court, will decide all matters relating to the conduct of the Meeting.

92. The only persons entitled to attend the Meeting are the Applicants, their director(s), the Monitor, BMO, the Affected Creditors and their respective legal counsel. Any other person may be admitted to the Meeting on invitation of the Chair or the Applicants.

93. The presence of one Affected Creditor holding an Affected Claim at the Meeting constitutes quorum.

c. Voting

94. The Meeting Order provides for a fair and equitable voting process. The Chair is responsible for directing a vote with respect to the resolution to approve the Plan. The Chair may also direct a vote with respect to any other matter that arises at the Meeting and requires a vote.

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95. Only Affected Creditors holding Affected Claims as of the date of the issuance of the Meeting Order are entitled to vote. They are each entitled to one vote equal to the aggregate dollar value of their Affected Claim.

96. If the Applicants, the Monitor, or any Affected Creditor disputes the quantum or validity of an Affected Creditor's Affected Claim (a "**Disputed Claim**"), the holder of the Disputed Claim is nevertheless entitled to one vote equal to the aggregate dollar value of its Affected Claim, without prejudice to the determination of the dollar value of such Disputed Claim for the purposes of the Meeting Order and any distribution. The Monitor is to keep a separate record of votes cast by each holder of a Disputed Claim and will report to the Court with respect thereto.

97. Certain persons are not entitled to vote on the Plan, including holders of Unaffected Claims and Equity Claims.

98. As required by the CCAA, the Plan requires that approval is conditional on an affirmative vote by a majority in number of Affected Creditors representing at least two-thirds in value of the Affected Creditors, in each case who are entitled to vote at the Meeting and who are present and voting on the resolution approving the Plan at the Meeting (the "**Required Majority**").

99. As noted above, the Plan contemplates the amalgamation of Lydian Canada with SL Newco under the BCBCA. Lydian International is the sole shareholder of Lydian Canada.

100. Pursuant to the BCBCA, a special majority of shareholders must pass a special resolution to effect an amalgamation. A special majority is defined in the BCBCA as a majority of at least two-thirds of the votes cast on the special resolution. The BCBCA also permits a company to specify in its articles the special majority of votes that is required for shareholders to pass a special resolution, so long as a special majority consists of at least two-thirds of the votes cast on the resolution. Article 11.2 of Lydian Canada's Articles of Incorporation dated August 28, 2018, a copy of which are attached hereto as **Exhibit "T"**, provide that the votes required for Lydian Canada to pass a special resolution at a general meeting of shareholders is two-thirds of the votes cast on the resolution.

(h) Sealing

101. My affidavit and the BMO Affidavit contain commercially sensitive information, including the expressions of interest received by BMO through the SISP and solicitation process for the financing of the Treaty Arbitration, and the reasons for why those expressions of interest did not lead to transactions capable of completion. The Applicants are concerned that the GOA or a third party potentially interested in financing the Treaty Arbitration may use the information in my affidavit and the BMO Affidavit to the detriment of the Lydian Group and Restructured Lydian in the future. As a result, the Applicants are seeking that the commercially sensitive provisions of my unredacted affidavit and the unredacted BMO Affidavit, be sealed pending further Order of this Court.

PART 5 - APPROVAL OF MONITOR'S ACTIVITIES

102. I understand that the Monitor will be filing the Fifth Report in connection with the within motion seeking approval of its activities, as detailed in the Fifth Report.

I confirm that while connected via video conference technology, Edward A. Sellers showed me the front and back of his government-issued photo identity document and that I am reasonably satisfied it is the same person and the document is current and valid. I confirm that I have reviewed each page of this affidavit with Edward A. Sellers and verify that the pages are identical.

Sworn before me by video conference from the Town of Rosseau, Ontario to the City of Toronto, Ontario, on June 15, 2020.

DocuSigned by:
Sanja Sopic
F820930A2731482

Sanja Sopic

Commissioner for Taking Affidavits

DocuSigned by:
Edward A. Sellers
8E33066161C145B

EDWARD A. SELLERS

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

Court File No.: CV-19-00633392-00CL

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF EDWARD A. SELLERS
Sworn June 15, 2020**

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Lawyers for the Applicants

TAB B

EXHIBIT "B"

referred to in the Affidavit of

EDWARD A. SELLERS

Sworn June 24, 2020

DocuSigned by:
Sanja Sopic
E820930A2731482...

Commissioner for Taking Affidavits

Court File No. 19-00633392-00CL

**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 MARK CAIGER
(Sworn June 11, 2020)**

I, Mark Caiger, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a Managing Director, Mergers and Acquisitions at BMO Nesbitt Burns Inc. ("**BMO**") and have been working at BMO for 20 years.
2. As described in further detail below, BMO has acted as financial advisor to Lydian International Limited ("**Lydian International**") since 2018, in connection with efforts to canvas potential refinancing or sale options and carry out a sale and investment solicitation process ("**SISP**"). Further background information regarding BMO's involvement in the SISP and Treaty Arbitration financing solicitation process can be found in the affidavits of Edward A. Sellers sworn December 22, 2019 (the "**Initial Affidavit**") and January 20, 2020 (the "**Comeback Affidavit**"), and is provided below. Capitalized terms not otherwise defined herein are defined in the Comeback Affidavit.

BMO's Involvement in the SISP

3. In April 2018, Lydian International retained BMO to canvas potential refinancing or sale options and carry out the SISP. In the early phase of the SISP, BMO marketed the Lydian Group's mining assets, including various environmental permits held by the Lydian Group (the "**Mining Assets**").
4. As part of the 2018 process, which carried forward into early 2019, BMO created a "teaser package" containing information about the sale opportunity and the Lydian Group's business for circulation to interested parties. BMO provided a copy of the teaser package to 40

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parties, including 18 potential strategic counterparties and 22 potential financial counterparties. Of those parties, 9 signed non-disclosure agreements (“NDAs”) and were provided access to a virtual data room (“VDR”) containing financial and operational information. Of the parties who signed NDAs, 5 conducted site visits and 2 submitted non-binding expressions of interest.

5. 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 offers that could be executed upon.

6. In May 2019, following a meeting between the Company, its secured lenders Orion Co IV (ED) Limited, a division of Orion Capital Management, Resource Capital Fund VI L.P. and Osisko Bermuda Limited (collectively, the “Senior Lenders”) and BMO, BMO began preparations to commence another round of the SISP. BMO’s activities over the summer of 2019 included: assisting the Company in updating the VDR, liaising with the Company during the development of its revised National Instrument 43-101 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 at Amulsar), and planning for the Company’s intention to hold investor meetings and raise capital at the Denver Gold Forum in mid-September 2019.

7. In October 2019, based on the GOA’s statements that they would support the reopening of the Amulsar Project, BMO was directed by the Company to begin the next round of the SISP. During this second round of the SISP, BMO contacted 32 potential counterparties, including 31 potential strategic counterparties (16 of which were also contacted in 2018) and 1 potential financial counterparty. Two of the counterparties executed NDAs and were granted access to the VDR. [REDACTED] Despite a broad canvass, limited interest surfaced in a transaction, and several parties expressed concerns regarding the ongoing blockades and situation in Armenia. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. BMO and the Company continued to engage with the other potential purchaser who came forward during the second round of the SISP. Subsequent to the commencement of the

- 3 -

CCAA Proceedings, discussions continued between this potential purchaser and one of the Company's secured lenders to determine if a transaction could be implemented, with the support of the Applicants' stakeholders. Those discussions took place over the holiday period in 2019. BMO continued those discussions through the spring of 2020. In early May 2020, it was determined unanimously by the Senior Lenders that a transaction with this potential purchaser would not be possible.

9. In early March 2020, a party who was previously involved in the SISP approached the Applicants and BMO with renewed interest in a transaction through a related company. BMO granted this party access to the VDR following the execution of an NDA. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

BMO's Involvement in the Treaty Arbitration Financing Process

11. As outlined in the Initial Affidavit, in October 2019, the Lydian Group, with the assistance of BMO, commenced a process to solicit interest in financing 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**").

12. As part of this process, in October 2019, BMO contacted 21 potential counterparties to determine their interest in financing the Treaty Arbitration, including established litigation and arbitration financiers with substantial funds under their management. Of the 21 parties contacted, BMO sent Common Interest Privilege and Confidentiality Agreements ("**CIPAs**") to 15 parties for execution, along with teaser packages based on publicly available documents outlining the situational developments at Amulsar from the time the blockades commenced.

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13. BMO also contacted 3 existing shareholders of the Company who had expressed a potential interest in financing the Treaty Arbitration, and provided them with CIPAs and a copy of the teaser package. Following the commencement of the CCAA Proceedings, BMO was in contact with 3 additional parties based on inbound inquiries received by the Monitor and the Company. One of those parties was provided with a CIPA and a copy of the teaser package.

14. Ten parties, including 2 of the Company's shareholders, executed CIPAs and were provided with access to a VDR containing a selected set of arbitration-related documentation.

None of these expressions of interest were put forward by shareholders of the Company.

15. On the basis of input received from the Senior Lenders, and in accordance with the terms of the DIP Agreement, since January 23, 2020, the Applicants and BMO have not taken any material steps to advance the SISP process relating to litigation financing. None of the expressions of interest received was ultimately developed into a firm proposal for the financing of the Treaty Arbitration.

Overlap in the SISP Procedures

[REDACTED]

17. Despite the extensive efforts described above in connection with the SISP, the Applicants and BMO have not been able to negotiate a transaction involving the sale of the Mining Assets and will not be in a position to do so before the expiration of the stay of proceedings on June 30, 2020. Given the solicitation process for the financing of the Treaty Arbitration was put on hold at the request of the Senior Lenders, the Applicants and BMO will not be in a position to

- 5 -

negotiate a financing of the Treaty Arbitration before the expiration of the stay of proceedings on June 30, 2020.

I confirm that while connected via video conference technology, Mark Caiger showed me the front and back of his government-issued photo identity document and that I am reasonably satisfied it is the same person and the document is current and valid. I confirm that I have reviewed each page of this affidavit with Mark Caiger and verify that the pages are identical.

Sworn before me by video conference from the City of Toronto, Ontario to the City of Toronto, Ontario, on June 11, 2020.

DocuSigned by:
Sanja Sopic
E820930A2731482...

Commissioner for Taking Affidavits

DocuSigned by:
Mark Caiger
2397CE28C868434...

Mark Caiger

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

Court File No.: CV-19-00633392-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF MARK CAIGER
Sworn June 11, 2020

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Lawyers for the Applicants

TAB C

EXHIBIT "C"

referred to in the Affidavit of

EDWARD A. SELLERS

Sworn June 24, 2020

DocuSigned by:
Sanja Sopic
E820930A2731482...

Commissioner for Taking Affidavits

Court File No. CV-19-00633392-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
CHIEF JUSTICE MORAWETZ

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)
)

THURSDAY, THE 18TH
DAY OF JUNE, 2020

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

ORDER

(Re: Meeting of the Affected Creditors)

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an Order (the "Meeting Order"):

- a) accepting the filing of a plan of arrangement of the Applicants under the CCAA and *Business Corporations Act*, S.B.C. 2002, c. 57 (British Columbia) dated June 15, 2020 (the "Plan") with the Court;
- b) approving, pursuant to section 22 of the CCAA, the classification of creditors as set out in the Plan for the purposes of the Meeting (as defined below) and voting on the Plan;
- c) authorizing and directing the Applicants to call, hold and conduct a meeting of its Affected Creditors to vote on the Plan (the "Meeting"); and
- d) authorizing notice of the Meeting to be effected by the Applicants serving a copy of this Meeting Order (when issued) on all Affected Creditors;

proceeded by way of videoconference due to the COVID-19 crisis on this day.

ON READING the affidavit of Edward A. Sellers sworn June 15, 2020 and the exhibits thereto (the "Sellers Meeting Affidavit"), the affidavit of Mark Caiger sworn June 11, 2020 (the "BMO Affidavit"), the Fifth Report of Alvarez & Marsal Canada Inc. in its capacity as Monitor of the Applicants (the "Monitor") dated June 16, 2020 (the "Fifth Report"), and on hearing the submissions of counsel for the Applicants, the Monitor, the Affected Creditors and those other parties listed on the counsel slip;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and supporting materials be and is hereby abridged such that this Motion is properly returnable today and service thereof upon any interested party other than the parties on the service list is hereby dispensed with.

2. **THIS COURT ORDERS** that all capitalized terms in this Meeting Order, unless otherwise defined herein, have the meaning ascribed to them in the Plan.

PLAN OF COMPROMISE AND ARRANGEMENT

3. **THIS COURT ORDERS** that the Plan, substantially in the form attached hereto as Schedule "A", is hereby accepted for filing, and the Applicants are hereby authorized to seek approval of the Plan from the Affected Creditors in the manner set forth herein.

4. **THIS COURT ORDERS** that the Applicants, subject to the provisions of the Plan and with the approval of the Monitor, be and are hereby authorized to make and to file a modification or restatement of, or amendment or supplement to, the Plan (each a "Plan Modification") prior to or at the Meeting, in which case any such Plan Modification shall, for all purposes, be and be deemed to form part of and be incorporated into the Plan. The Monitor shall disclose and make available all Plan Modifications at the Meeting.

FORM OF PLAN RESOLUTION

5. **THIS COURT ORDERS** that the form of resolution substantially in the form attached hereto as Schedule "B" (the "Plan Resolution") is hereby approved and the Applicants, with the consent of the Monitor, are authorized to make such changes to such Plan Resolution as

they consider necessary or desirable to conform the content thereof to the terms of the Plan or this Meeting Order.

CLASSIFICATION OF CREDITORS

6. **THIS COURT ORDERS** that for the purposes of considering and voting on the Plan, there shall be one class of creditors, being the Affected Creditors holding all Affected Claims.

NOTICE OF THE AFFECTED CREDITORS MEETING

7. **THIS COURT ORDERS** that, notwithstanding anything to the contrary found in any of Applicants' constating documents, service by email of a copy of this Meeting Order on counsel to all Affected Creditors shall constitute good and sufficient service of this Meeting Order, the Plan and the Sanction Motion (as defined below), and good and sufficient notice of the Meeting on all Persons who may be entitled to receive notice thereof in these proceedings or who may wish to be present in at the Meeting or who may wish to appear in these proceedings, and no other form of notice or service need be made on such Persons.

CONDUCT OF THE MEETING

8. **THIS COURT ORDERS** that the Applicants are hereby authorized to call, hold and conduct a live videoconference meeting of the Affected Creditors on June 19, 2020, at 10:00 a.m. (Toronto time) for the purpose of considering, and if deemed advisable by the Affected Creditors, voting in favour of, with or without variation, the Plan Resolution to approve the Plan.

9. **THIS COURT ORDERS** that a representative of the Monitor, designated by the Monitor, shall preside as the chair of the Meeting (the "Chair") and, subject to any further Order of this Court, shall decide all matters relating to the conduct of the Meeting.

10. **THIS COURT ORDERS** that the Chair is authorized to adjourn the Meeting on one or more occasions to such time(s), date(s) and place(s) as the Chair deems necessary or desirable (without the need to first convene the Meeting for the purpose of adjournment). Notice of such adjourned date shall be posted on the website maintained by the Monitor and there shall be no requirement to provide any other notice.

11. **THIS COURT ORDERS** that the only Persons entitled to attend the Meeting shall be the Applicants and their respective directors, the Monitor, BMO Nesbitt Burns Inc., the Affected

Creditors and their respective legal counsel. Any other Person may be admitted to the Meeting by the Chair or the Applicants.

12. **THIS COURT ORDERS** that the quorum required at the Meeting shall be two Affected Creditors holding an Affected Claim present at the Meeting in person via live videoconference. If the requisite quorum is not present at the Meeting, then the Meeting shall be adjourned by the Chair to such time, date and place as the Chair deems necessary or desirable.

VOTING PROCEDURE AT THE MEETING

13. **THIS COURT ORDERS** that the Chair shall direct a vote with respect to the Plan Resolution to approve the Plan and containing such other related provisions as the Chair or Monitor considers appropriate.

14. **THIS COURT ORDERS** that if any matter other than those referred to in paragraph 13 arises at the Meeting and requires a vote, such vote shall be conducted in the manner decided by the Chair, and (i) if the Chair decides to conduct such vote by way of show of hands, the vote shall be decided by a majority of the votes given on a show of hands, and (ii) if the Chair decides to conduct such vote by written or digital ballot, the vote shall be decided by a majority in number of Affected Creditors holding Affected Claims and representing a two-thirds majority in value of the Affected Claims present in person via live videoconference and voting at the Meeting (the "Required Majority").

15. **THIS COURT ORDERS** that, notwithstanding the terms of the Credit Agreement and Stream Agreement, for the purpose of voting at the Meeting, each Affected Creditor shall be entitled to one vote equal to the aggregate dollar value of its Affected Claim, and for such purpose, each Affected Creditor's Affected Claim is as follows:

Affected Creditor	Affected Claim
Orion Co IV (ED) Limited	\$165.73 million
Resource Capital Fund VI L.P.	\$67.70 million
Osisko Bermuda Limited	\$70.91 million

16. **THIS COURT ORDERS** that each Affected Creditor shall constitute one vote in number for the purpose of determining the Required Majority, regardless of whether the Affected

Creditor holds Affected Claims beneficially through a securities account with a depository participant or other securities intermediary.

DISPUTED CLAIMS

17. **THIS COURT ORDERS** that if the Applicants, the Monitor or any Affected Creditor disputes the quantum or validity of an Affected Creditor's Affected Claim (a "Disputed Claim"), the holder of the Disputed Claim is nevertheless entitled to one vote equal to the aggregate dollar value of its Affected Claim, without prejudice to the determination of the dollar value of such Disputed Claim for the purposes of this Meeting Order and any distribution.

18. **THIS COURT ORDERS** that the Monitor shall keep a separate record of votes cast by each holder of a Disputed Claim and shall report to the Court with respect thereto at the Sanction Motion.

APPROVAL OF THE PLAN

19. **THIS COURT ORDERS** that following the votes at the Meeting, the Monitor shall tally the votes and determine whether the Plan has been approved by the Required Majority.

SANCTION HEARING AND ORDER

20. **THIS COURT ORDERS** that the Monitor shall file a report to this Court by no later than June 22, 2020, with respect to the results of the vote, including (i) whether the Plan was approved by the Required Majority and (ii) the separate tabulation for Disputed Claims required by paragraph 18 herein.

21. **THIS COURT ORDERS** that an electronic copy of the Monitor's report described in paragraph 20 hereto and the Plan, including any Plan Modifications, shall be posted on the Monitor's website prior to the hearing of the motion seeking the Sanction and Implementation Order (the "Sanction Motion").

22. **THIS COURT ORDERS** that in the event the Plan has been approved by the Required Majority, the Applicants may bring the Sanction Motion before this Court on June 29, 2020, or such later date as the Applicants may advise the service list in these proceedings, provided that such later date shall be acceptable to the Applicants and the Monitor.

23. **THIS COURT ORDERS** that service of this Meeting Order by the Applicants to the parties on the service list shall constitute good and sufficient service and notice of the Sanction Motion.

24. **THIS COURT ORDERS** that any Person intending to oppose the Sanction Motion shall (i) file or have filed with the Court a Notice of Appearance and serve such Notice of Appearance on the service list at least four business days before the date set for the Sanction Motion; and (ii) serve on the service list a notice setting out the basis for such opposition and a copy of the materials to be used to oppose the Sanction Motion that are available at least two business days before the date set the Sanction Motion, or such shorter time as the Court, by Order, may allow.

25. **THIS COURT ORDERS** that in the event that the Sanction Motion is adjourned, only those Persons appearing on the service list as of the date of service shall be served with notice of the adjourned date.

26. **THIS COURT ORDERS** that subject to any further Order of the Court, in the event of any conflict, inconsistency, ambiguity or difference between the provisions of the Plan and this Meeting Order, the terms, conditions and provisions of the Plan shall govern and be paramount, and any such provision of this Meeting Order shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference.

MONITOR'S ROLE

27. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the Initial Order of this Court dated December 23, 2019 (the "Initial Order") and the Amended and Restated Initial Order of this Court dated January 23, 2020 (the "Amended and Restated Initial Order") is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Meeting Order.

28. **THIS COURT ORDERS** that: (i) in carrying out the terms of this Meeting Order, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Amended and Restated Initial Order or as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Meeting Order, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of the Applicants

and any information provided by the Applicants and any information acquired by the Monitor as a result of carrying out its duties under this Order without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

SEALING

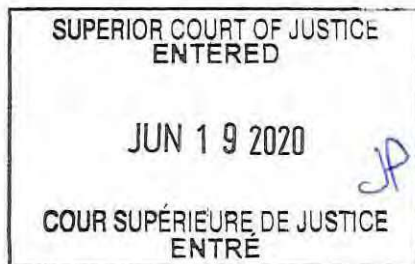
29. THIS COURT ORDERS that the unredacted Sellers Meeting Affidavit and the unredacted BMO Affidavit are hereby sealed pending further order of the Court.

GENERAL

30. THIS COURT ORDERS the Monitor shall use reasonable discretion as to the adequacy of compliance with respect to the manner in which any forms hereunder are completed and executed and the time in which they are submitted and may waive strict compliance with the requirements of this Meeting Order including with respect to the completion, execution and time of delivery of required forms.

31. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in connection with, *inter alia*, the discharge of powers and duties hereunder.

32. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, Armenia, the Bailiwick of Jersey, the United Kingdom, or the United States to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.



A handwritten signature in black ink, followed by the letters "CT" in a larger, bold font.

Schedule "A"

THE PLAN

LYDIAN INTERNATIONAL LIMITED
LYDIAN CANADA VENTURES CORPORATION
LYDIAN U.K. CORPORATION LIMITED

PLAN OF ARRANGEMENT
PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

JUNE [●], 2020

PLAN OF ARRANGEMENT

This is the Plan of Arrangement of Lydian Canada Ventures Corporation, Lydian International Limited and Lydian U.K. Corporation Limited pursuant to the *Companies' Creditors Arrangement Act* (Canada) and *Business Corporations Act* (British Columbia).

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this Plan, unless otherwise stated or the context otherwise requires:

"Affected Claims" means, collectively, the obligations of each of the Released Guarantors under the Guarantees.

"Affected Creditor" means a Creditor with an Affected Claim.

"Agent" means Orion, in its capacity as administrative agent under the Credit Agreement.

"Ameriabank" means Ameriabank CJSC.

"Applicants" means Lydian Jersey, Lydian Canada and Lydian UK.

"Armenia-Jersey Interco Debt" means the indebtedness in the amount of approximately USD\$187,000,000 owed by Lydian Armenia to Lydian Jersey.

"Armenia-US Interco Debt" means the indebtedness in the amount of approximately USD\$3,200,000 owed by Lydian Armenia to Lydian US.

"Assessments" means Claims of any taxation authority in any Canadian or foreign jurisdiction, including, without limitation, amounts which may arise or have arisen under any notice of assessment, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any taxation authority.

"BCBCA" means the *Business Corporations Act* (British Columbia).

"Business Day" means a day other than a Saturday or Sunday on which banks are generally open for business in Toronto, Ontario.

"CAT" means Caterpillar Financial Services (UK) Limited.

"CCAA" means the *Companies' Creditors Arrangement Act* (Canada).

"CCAA Charges" means the charges created by the Initial Order and defined as the **"Administrative Charge"**, the **"Directors' Charge"**, the **"Transaction Charge"** and the **"DIP Charge"** therein.

"CCAA Proceedings" means the proceedings of the Applicants under the CCAA.

"CCAA Termination Date" means the date on which the Monitor files a certificate with the Court as set out in Section 6.4 hereto.

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"Claim" means any right of any Person against the Applicants or Non-Applicant Stay Parties in connection with any indebtedness, liability or obligation of any kind of the Applicants or Non-Applicant Stay Parties, including those that are secured against the assets or shares of the Applicants in existence immediately prior to the Effective Time.

"Court" means the Ontario Superior Court of Justice (Commercial List).

"Credit Agreement" means the credit agreement dated as of November 30, 2015 among, *inter alia*, Lydian Jersey, as a guarantor, Lydian Armenia, as borrower, Orion, RCF and each of the other lenders from time to time party thereto, as lenders, and the Agent.

"Creditor" means a Person having a Claim and includes the transferee or assignee of a Claim that is recognized as a Creditor by the Applicants or Non-Applicant Stay Parties, or a trustee, liquidator, receiver or other Person acting on behalf of such Person.

"DIP Exit Credit Facilities" means the USD\$[1,866,000] of additional commitment under the Term Facility B (as defined in the Credit Agreement) in respect of the Post-Implementation Date Expenses to be made available to Lydian Armenia pursuant to the Eighteenth Amending Agreement, on terms to be negotiated.

"DIP Loans" has the meaning given to such term in the Credit Agreement.

"Director" means, as at the time immediately prior to the Effective Time any former or then present director or officer of any member of the Existing Lydian Group or any other Person who by applicable legislation is deemed to be or is treated similar to a director or officer of such member or that managed the business and affairs of such member.

"Director Claim" means any right or claim of any Person against one or more of the Directors howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessment and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, including any right of contribution or indemnity, for which any Director is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director.

"Effective Time" means the first moment on the Plan Implementation Date.

"Eighteenth Amending Agreement" means the eighteenth amending agreement to the Credit Agreement dated as of the Plan Implementation Date, but effective immediately prior to the Effective Time, among Lydian Armenia, as borrower, the guarantors party thereto, the Seniors Lenders, in their capacity as lenders, and the Agent.

"Encumbrance" means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, statutory or possessory lien or lease of personal property that creates a security interest in respect of any assets that an Applicant owns or to which an Applicant is entitled.

"Equipment Lenders" means, collectively, Ameriabank, CAT, ING and SEK.

"Equity Claim" means a Claim that meets the definition of "equity claim" in section 2(1) of the CCAA.

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"Equity Claimants" means any Person with an Equity Claim, but only in such capacity.

"Existing Lydian Group" means, collectively, Lydian Jersey, Lydian Canada, Lydian UK, Lydian International Holdings Limited, Lydian Resources Armenia Limited, Lydian Armenia, Lydian DirectorCo, Lydian Resources Kosovo Limited, Lydian Georgia, Lydian GRC, Lydian Zoloto and Lydian US and each of their direct or indirect wholly-owned subsidiaries immediately prior to the Effective Time.

"GRC-Jersey Interco Debt" means the indebtedness in the amount of approximately USD\$2,800,000 owed by Lydian GRC to Lydian Jersey.

"Guarantees" means, collectively, (i) the guarantee dated as of December 3, 2015 made by, *inter alia*, Lydian Jersey and the other Released Guarantors in favour of the Agent in respect of the Loan Obligations, and (ii) the guarantee dated as of December 3, 2015 made by, *inter alia*, Lydian Jersey and the other Released Guarantors in favour of the Purchaser's Agent in respect of the Stream Obligations.

"ING" means ING Bank N.V.

"Initial Order" means the initial order made on December 23, 2019, as amended and restated on January 23, 2020 pursuant to which the Applicants were provided protection under the CCAA, as further amended from time to time.

"Jersey-US Interco Debt" means the indebtedness in the amount of approximately USD\$9,000,000 owed by Lydian Jersey to Lydian US.

"Loan Obligations" means all obligations, liabilities and indebtedness of the Existing Lydian Group under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement).

"Lydian Armenia" means Lydian Armenia CJSC, a closed joint stock company governed by the laws of Armenia.

"Lydian Canada" means Lydian Canada Ventures Corporation, a corporation incorporated under the BCBCA.

"Lydian DirectorCo" means 11910728 Canada Inc., a corporation incorporated under the *Canada Business Corporations Act*.

"Lydian Georgia" means Lydian Resources Georgia Limited, a company governed by the laws of Jersey.

"Lydian Georgia Purchaser" means Vahe Kevorkov.

"Lydian Georgia Shares" means the common shares in the capital of Lydian Georgia held by Lydian Jersey.

"Lydian GRC" means Georgian Resource Company LLC, a company governed by the laws of Georgia.

"Lydian Jersey" means Lydian International Limited, a company governed by the laws of Jersey.

"Lydian Jersey Ordinary Shares" means the ordinary shares in the capital of Lydian Jersey.

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“Lydian Jersey Shareholder” means any Person who holds, is entitled to or has any rights or interests in or to or in respect of the Lydian Jersey Ordinary Shares immediately prior to the Effective Time, but only in such capacity.

“Lydian Subsidiaries” means, collectively, Lydian Canada, Lydian UK, Lydian International Holdings Limited, Lydian Resources Armenia Limited, Lydian Armenia, Lydian DirectorCo, Lydian Resources Kosovo Limited, Lydian Georgia, Lydian GRC, Lydian Zoloto and Lydian US.

“Lydian UK” means Lydian U.K. Corporation Limited, a corporation governed by the laws of the United Kingdom.

“Lydian US” means Lydian U.S. Corporation, a corporation governed by the laws of Colorado.

“Lydian Zoloto” means Kavkaz Zoloto CJSC, a closed joint stock company governed by the laws of Armenia.

“Majority Senior Lenders” means a majority in number of Affected Creditors representing at least two thirds in value of the Affected Creditors.

“Meeting” means the meeting of the Affected Creditors to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA in accordance with the Meeting Order and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meeting Order.

“Meeting Date” means the date on which the Meeting is held in accordance with the Meeting Order.

“Meeting Order” means the order of the Court dated June 18, 2020 under the CCAA that, among other things, sets the date for the Meeting, as same may be amended, restated or varied from time to time.

“Monitor” means Alvarez & Marsal Canada Inc., solely in its capacity as the monitor appointed by the Court pursuant to the Initial Order, and not in its personal or corporate capacity.

“New Directors” means the individuals to be appointed to the board of directors of Lydian Jersey and Restructured Lydian (and its direct and indirect subsidiaries) as of the Plan Implementation Date.

“Non-Applicant Stay Parties” has the meaning set out in the Initial Order and includes Lydian Armenia, Lydian Resources Armenia Limited, and Lydian US.

“Orion” means Orion Co IV (ED) Limited.

“Osisko” means Osisko Bermuda Limited.

“Person” means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity.

“Plan” means this plan of arrangement under the CCAA and the BCBCA, including the Schedules hereto, as further amended, supplemented or replaced from time to time.

“Plan Implementation Date” means the date upon which the Monitor files with the Court the certificate contemplated by Section 6.2, which shall occur on or before June 30, 2020.

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"Post-Implementation Date Expenses" means: (a) all potential costs and expenses (including fees of Lydian Jersey's counsel and the Monitor and its counsel) estimated to be incurred and accrued in respect of any further stay extensions or motions at any time prior to the CCAA Termination Date; (b) all estimated costs and expenses of Lydian Jersey and the other Released Guarantors, including all reasonable and documented fees of their advisors, the Monitor and its counsel, and director and officer insurance premiums incurred and accrued up to the CCAA Termination Date; and (c) the costs and expenses estimated to be incurred in connection with or related to the dissolution or winding-up of Lydian Jersey, Lydian US and Lydian Zoloto pursuant to Section 6.4, in each case, as set forth on, and, in all cases, subject to the maximums set forth on, Schedule "A", and such other amounts as the Senior Lenders may agree in writing.

"Post-Implementation Date Expenses Reserve" means the reserve to be established by the Applicants on the Plan Implementation Date and held by the Monitor solely for the benefit of the Applicants, which shall be comprised of an amount of USD\$[1,866,000] to pay the Remaining Post-Implementation Date Expenses.

"Purchaser's Agent" means Osisko, in its capacity as agent for the purchasers under the Stream Agreement.

"RCF" means Resource Capital Fund VI L.P.

"Released Claims" has the meaning ascribed thereto in Section 6.6 hereof.

"Released Director Claim" means any Director Claim that is released pursuant to Section 6.6 hereof.

"Released Guarantors" means, collectively, Lydian Jersey, Lydian US, Lydian Zoloto, Lydian Georgia and Lydian GRC.

"Released Party" and **"Released Parties"** have the meaning ascribed thereto in Section 6.6 hereof.

"Remaining Post-Implementation Date Expenses" means the Post-Implementation Date Expenses not paid or satisfied as of the Plan Implementation Date.

"Required Majority" means a majority in number of Affected Creditors representing at least two thirds in value of the Affected Creditors, in each case who are entitled to vote at the Meeting in accordance with the Meeting Order and who are present and voting in person or by proxy on the resolution approving the Plan at the Meeting.

"Restructured Lydian" means, collectively, the entity formed upon the amalgamation by arrangement of SL Newco and Lydian Canada.

"Restructured Lydian Common Shares" means the common shares of Restructured Lydian to be held by the Senior Lenders.

"Restructured Lydian Group" means, collectively, Restructured Lydian and each of its direct or indirect wholly-owned subsidiaries immediately after the Effective Time.

"Restructured Lydian Preferred Share" means the preferred share of Restructured Lydian to be held by Lydian Jersey.

"Restructuring Documents" means, collectively, the articles of Restructured Lydian and all related agreements, security and other documents.

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"Sanction and Implementation Order" means the order to be sought under the CCAA sanctioning this Plan, if approved by the Required Majority, and providing for its implementation in form and content satisfactory to the Applicants and the Monitor.

"SEK" means AB Svensk Exportkredit (publ).

"Senior Lenders" means, collectively, Orion, RCF and Osisko.

"SL Newco" means a newly incorporated single purpose entity controlled by Orion and governed by the BCBCA.

"Stream Agreement" means the amended and restated purchase and sale agreement (gold and silver) dated as of January 15, 2019 among Lydian Jersey, as a guarantor, Lydian Armenia, as seller, Osisko (as successor to Orion Co IV (SO) Limited), RCF and each of the other purchasers from time to time party thereto, as purchasers, and the Purchaser's Agent.

"Stream Obligations" means all obligations, liabilities and indebtedness of the Existing Lydian Group under the Stream Agreement and the other Stream Documents (as defined in the Stream Agreement).

"Subsidiary Shares" means all shares in the capital of each of the Lydian Subsidiaries that are issued and outstanding immediately prior to the Effective Time.

"Unaffected Claim" means any Claim of a Creditor against the Applicants or the Non-Applicant Stay Parties, other than the Affected Claims, and, for greater certainty, Unaffected Claim includes (i) all Claims resulting from the Loan Obligations and Stream Obligations, in each case, other than those representing the Affected Claims; (ii) all Claims of the Equipment Lenders against the Applicants or any other non-Applicant member of the Existing Lydian Group; (iii) all unsecured Claims against the Applicants or the Non-Applicant Stay Parties; and (iv) all Claims of any other Creditor against Lydian Armenia and any other non-Applicant member of the Existing Lydian Group.

"Unaffected Creditor" means both a Creditor with an Unaffected Claim and a holder of an Equity Claim in Lydian Jersey.

"US-Jersey Interco Debt" means the indebtedness in the amount of approximately USD\$12,700,000 owed by Lydian US to Lydian Jersey.

"USD" means United States dollars.

Section 1.2 Construction

In this Plan, unless otherwise stated or the context otherwise requires:

- (a) the division of the Plan into Articles and Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of the Plan;
- (b) the words "hereunder", "hereof" and similar expressions refer to this Plan and not to any particular Article, Section or Schedule and references to "Articles", "Sections", and "Schedules" are to Articles and Sections of and Schedules to this Plan;
- (c) words importing the singular include the plural and vice versa and words importing any gender include all genders;

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- (d) the word "including" means "including without limiting the generality of the foregoing";
- (e) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder;
- (f) a reference to any agreement, indenture or other document is to that document as amended, supplemented, restated or replaced from time to time up to the day before the Plan Implementation Date;
- (g) references to dollar amounts are to Canadian dollars, unless otherwise stated; and
- (h) references to times are to local time in Toronto, Ontario.

Section 1.3 Conversion

All Affected Claims denominated in USD are to be converted to CAD using Bank of Canada's Daily Exchange Rate in effect the Business Day prior to the Plan Implementation Date.

Section 1.4 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

Section 1.5 Date for any Action

If any date on which any action required to be taken hereunder by a Person is not a Business Day, such action must be taken or will be deemed to be taken on the next succeeding day which is a Business Day.

Section 1.6 Schedules

The following are the Schedules to this Plan:

- Schedule A - Post-Implementation Date Expenses
- Schedule B - Post-Implementation Capitalization
- Schedule C - Articles of Restructured Lydian

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

Section 2.1 Purpose

The purpose of the Plan is to:

- (a) implement a corporate and financial restructuring of the Applicants;
- (b) provide for the assignment or settlement of all intercompany debts owing to the Applicants prior to the Effective Time to, among other things, minimize adverse tax consequences to Lydian Armenia and its stakeholders;
- (c) provide for the equivalent of an assignment of substantially all of the assets of Lydian Jersey (including the shares in Lydian Canada) to SL Newco by amalgamating Lydian Canada with SL Newco;

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- (d) provide for a corresponding orderly wind up, and financing of such wind up, of Lydian Jersey and an orderly disposition or winding up, and financing thereof, of the affairs of the other Released Guarantors which would include the release of all obligations and guarantees of such Released Guarantors to the Senior Lenders (in their capacities as lenders and purchasers), if any;
- (e) permit Restructured Lydian and its shareholders/stakeholders to determine the manner and timing of pursuing any strategy post the Plan Implementation Date;
- (f) permit Lydian Canada and Lydian UK to exit CCAA Proceedings on the Plan Implementation Date; and
- (g) permit Lydian Jersey to exit CCAA Proceedings upon the earlier of (A) completion of (a) to (d) above, or (B) an Order of the Court terminating the CCAA Proceedings.

Section 2.2 Persons Affected

The Plan provides for a full and final release and discharge of the Affected Claims and Released Claims, and a restructuring of the Applicants. The Plan will become effective at the Effective Time in accordance with its terms and in the sequence set forth in Section 6.3(3) hereof and shall be binding on and enure to the benefit of the Applicants, the Affected Creditors and the Released Parties.

Section 2.3 Rights and Defences Maintained

Except as otherwise specified herein, nothing in the Plan shall affect the Applicants' rights and defences, both legal and equitable, with respect to any Unaffected Claims including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3

CLASSIFICATION AND TREATMENT OF CREDITORS AND RELATED MATTERS

Section 3.1 Classification of Creditors

For the purposes of considering and voting on the Plan, the Affected Creditors will vote as a single class.

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Section 3.2 Meeting

The Meeting shall be held in accordance with the CCAA, the Meeting Order and the Plan. The Monitor will act as chair of the Meeting. The only Persons entitled to attend the Meeting are: the Monitor and its legal counsel and advisors; the Affected Creditors and their legal counsel and advisors; and the Existing Lydian Group, their respective directors and officers and their respective legal counsel and advisors. Any other Person may be admitted on invitation of the chair of the Meeting.

Section 3.3 Voting by Affected Creditors

Each Affected Creditor shall be entitled to one vote as a member of the class, which vote shall have a value equal to the dollar value of its Affected Claims.

Section 3.4 Unaffected Claims

This Plan does not affect Unaffected Claims or Equity Claims subject to the express provisions hereof providing for the treatment of Released Claims. Unaffected Creditors will not be entitled to vote or receive any distributions under this Plan. Unaffected Claims shall not be compromised, released, discharged, cancelled or barred by the Plan subject to the express provisions hereof providing for the treatment of Released Claims.

Section 3.5 Equity Claims

Equity Claimants shall not receive any distributions or other consideration under the Plan or otherwise recover anything in respect of their Equity Claims and shall not be entitled to attend or vote on the Plan, and subject to the provisos (i) and (ii) below, all Equity Claims shall be forever compromised, released, discharged, cancelled and barred, provided, however, that after the Effective Time: (i) the Lydian Jersey Shareholders and other Equity Claimants with an Equity Claim against Lydian Jersey shall retain their Lydian Jersey Ordinary Shares and Equity Claims against Lydian Jersey, as applicable (which Lydian Jersey will seek to extinguish as part of the wind-up of Lydian Jersey) until the wind-up of Lydian Jersey as set forth below; and (ii) the Subsidiary Shares shall remain outstanding and shall continue to be held by the existing holders of such Subsidiary Shares, except as otherwise provided in this Plan in the case of Lydian Canada.

Section 3.6 Treatment of Affected Claims

At the Effective Time, pursuant to and in accordance with the other provisions of this Plan, each of the Senior Lenders will receive, in respect of its Affected Claim:

- (a) the number of Restructured Lydian Common Shares set forth beside each Senior Lender's name on Schedule "B"; and
- (b) as required, replacement guarantees, assumptions or acknowledgements from the Restructured Lydian Group in respect of all of Lydian Armenia's obligations to the Senior Lenders secured by general security interests and specific pledges of shares of the Restructured Lydian Group,

and all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

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Section 3.7 Equipment Lender Claims

Any Claims of the Equipment Lenders other than Released Claims shall be considered Unaffected Claims and the Equipment Lenders shall not receive any distributions or other consideration under the Plan and shall not be entitled to attend or vote on the Plan. Any Claim of the Equipment Lenders will not be compromised, released, discharged, cancelled and barred under the Plan and will remain outstanding after the Effective Time.

Section 3.8 Director Claims

All Released Director Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Any Director Claim that is not a Released Director Claim will not be compromised, released, discharged, cancelled and barred.

Section 3.9 Approval by Creditors

In order to be approved, the Plan must receive an affirmative vote by the Required Majority at the Meeting.

ARTICLE 4 FINANCING AND RESTRUCTURING ACTIVITIES

Section 4.1 DIP Exit Funding

Prior to the Plan Implementation Date, an aggregate principal amount of USD\$[1,866,000] will be advanced by the Senior Lenders (in their capacity as lenders) to Lydian Armenia as additional DIP Loans under the DIP Exit Credit Facilities for purposes of funding the Post Implementation Date Expenses Reserve. All outstanding guarantees given by the Restructured Lydian Group of the Loan Obligations will continue to guarantee the obligations owing by Lydian Armenia under the DIP Exit Credit Facilities and all security given by the Restructured Lydian Group as security for the Loan Obligations will continue in full force and effect to secure the obligations owing by Lydian Armenia under the DIP Exit Credit Facilities in accordance with the terms of the Credit Agreement. The funds advanced under the DIP Exit Credit Facilities will be utilized to implement the Plan. A portion of the DIP Exit Credit Facilities will be reserved by Lydian Armenia to be used to redeem the Restructured Lydian Preferred Share and the balance of the DIP Exit Credit Facilities constituting the Post-Implementation Date Expenses Reserve, plus the balance of any other cash held on hand by Lydian Armenia required to pay expenses of Lydian Jersey, shall be transferred by way of intercompany loan by Lydian Armenia to Lydian Jersey prior to the Post-Implementation Date (and Lydian Jersey shall immediately transfer such amount to the Monitor). The Monitor shall hold such funds solely for the benefit of Lydian Jersey in accordance with the provisions of this Plan to pay the Post-Implementation Date Expenses. The Monitor shall pay the Post-Implementation Date Expenses from the Post-Implementation Date Expenses Reserve upon, and in accordance with, receipt by Lydian Jersey of an invoice for payment and written direction from Lydian Jersey to the Monitor or by further order of the Court.

Section 4.2 Other Restructuring Activities

Subject to the terms and conditions of this Plan, the Applicants, in consultation with the Monitor, may undertake such other steps or enter into such other transactions as they deem necessary or desirable in order to better effect the terms of this Plan or to fulfil the conditions to the implementation of this Plan set out in Section 6.1.

ARTICLE 5
SANCTION AND IMPLEMENTATION ORDER

Section 5.1 Application for Sanction and Implementation Order

If this Plan is approved by the Required Majority, the Applicants will apply to the Court for the Sanction and Implementation Order.

Section 5.2 Effect of Sanction and Implementation Order

The Applicants will seek a Sanction and Implementation Order that in substance will, without limitation to any other terms that it may contain:

- (a) declare that (i) the Plan has been approved by the Required Majority; (ii) the Applicants have complied with the provisions of the CCAA and the orders of the Court made in these proceedings in all respects; (iii) the Court is satisfied that the Applicants have not done nor purported to do anything that is contrary to the CCAA; and (iv) the Plan and the transactions contemplated by it are fair and reasonable, and in the best interests of the Applicants and the Affected Creditors;
- (b) order that the Plan (including the compromises, arrangements, amalgamation and other corporate transactions and releases set out in or contemplated by the Plan, including the appointment of the New Directors) is sanctioned and approved pursuant to section 6 of the CCAA and, at the Effective Time, will be effective and will enure to the benefit of and be binding upon the Applicants and the Affected Creditors and all other Persons stipulated in the Plan or in the Sanction and Implementation Order to receive the benefit of the releases, if any;
- (c) provide that the Applicants, the Affected Creditors, the Senior Lenders, and all other Persons stipulated in the Plan are authorized and directed to fulfill their respective obligations under the Plan;
- (d) declare that the stay of proceedings under the Initial Order, and all other provisions of the Initial Order except as explicitly amended pursuant to the Sanction Order, continues until the CCAA Proceedings are terminated in their entirety and the Monitor is discharged;
- (e) confirm the releases contemplated in the Plan and provide for the relief necessary or incidental thereto;
- (f) authorize the Monitor to perform its functions and fulfil its obligations under the Plan to facilitate the implementation of the Plan, payment of the Post-Implementation Date Expenses following implementation of the Plan, and to assist with the completion and termination of the CCAA Proceedings;
- (g) provide that the Monitor and its legal counsel shall not be required to pass their accounts from and after the Plan Implementation Date;
- (h) enjoin the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgments or remedy in respect of any indebtedness, liability, obligation or cause of action released, discharged or terminated pursuant to the Plan including the Affected Claims and the Released Claims; and