

# Lydian Announces First Quarter 2019 Results and Corporate Update

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TORONTO, May 15, 2019 - [Lydian International Ltd.](#) (TSX:LYD) (“Lydian” or “the Company”) announced today its results for the three months ended March 31, 2019. All dollar amounts referenced in this news release are, unless otherwise indicated, in United States dollars.

First Quarter 2019 and recent developments include:

*Illegal Blockades* – The blockades continue at Lydian’s Amulsar Gold Project, having been in place since June 22, 2018. As a result, two of Lydian’s subsidiaries formally notified the Government of Armenia on March 11, 2019 of the existence of disputes with the Government of Armenia under the UK bilateral investment treaty and the Canada bilateral investment treaty.

*Third Audit* – In March 2019, the Government of Armenia commenced its third-party assessment of the Amulsar Gold Project’s environmental impact on water resources, geology, biodiversity, and water quality. The duration of this audit is expected to be 12 to 16 weeks. The Company does not accept the need or legal basis for this audit but is cooperating fully with this audit as it progresses.

*Court Rulings* – Armenian courts have recently issued two rulings in Lydian’s favour:

- On April 10, 2019, the Administrative Court of the Republic of Armenia ruled in favour of Lydian and instructed the Armenian Police to remove trespassers and their property from the Company’s Amulsar Project site. The Administrative Court’s ruling was effective May 10, 2019 unless appealed prior to that date. The Company is not aware of any appeal having been filed during the prescribed period and has requested official acknowledgement from the Administrative Court that the order is effective. Following receipt of this acknowledgement, Lydian will demand enforcement of the order if not already acted upon by the Armenian Police; and
- The Criminal Court of Appeal of the Republic of Armenia ruled on April 19, 2019 that the police are to initiate a criminal investigation against protesters. The Prosecutor has fifteen days from the official receipt of the judgment to appeal to the Cassation Court of Armenia (the highest Armenian court). Lydian received official notice of the judgement on May 13, 2019 and has been informed unofficially that the Prosecutor received the judgement on May 13, 2019. Therefore, Lydian believes the Prosecutor has 15 days from May 13, 2019 to register an appeal.

*Hydrogeological Survey* – The Company completed an isotopic investigation of groundwater systems at Amulsar and the Jermuk area, confirming the findings of the Amulsar Project’s EIA and ESIA by conclusively demonstrating that there is no hydraulic connection between the groundwater regimes at the Amulsar Project and Jermuk.

## Going Concern Implications

Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Gold Project. Despite recent court rulings in favour of the Company, a continuous illegal blockade at Amulsar has been in place since June 22, 2018, causing construction activities to be suspended since this date. Access has generally been limited to contractor demobilization and winterization during Q4 2018.

The Government of Armenia has not enforced the rule of law to remove the illegal blockades at Amulsar and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has

taken certain actions and failed to act on other matters. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by the senior lenders, stream financing providers, and equipment financiers. As a result, in December 2018 the Company entered into an amended and restated forbearance agreement (the "A&R Forbearance Agreement") and, thereafter, in January 2019 the Thirteenth Amending Agreement (the "Thirteenth Amending Agreement") and the A&R Stream Agreement (the "A&R Stream Agreement") with its senior lenders, stream financing providers, and equipment financiers.

The Company's ability to continue as a going concern is dependent upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. It will also be necessary for the Company to continue to receive forbearance under the A&R Forbearance Agreement and funding under the Thirteenth Amending Agreement. Blockade-related costs will continue to be incurred until the illegal blockades are removed and unrestricted access for all purposes is available to the Company. Thereafter, the Company anticipates additional time and funding will be needed for site restoration, sourcing of financing, if available, for completing construction and working capital until positive cash flows from operations can be achieved. Alternatively, funding will be required until a strategic alternative can be arranged, if at all, or to support the Company's legal alternatives.

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

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the A&R Forbearance Agreement, the Thirteenth Amendment, and the A&R Stream Agreement, as a result of the actions and inactions of the Government of Armenia there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations, find an acceptable strategic alternative, or fund legal alternatives. Furthermore, there are no assurances of future forbearances or lenders not demanding repayment and exercising security rights under the respective credit agreements. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

At March 31, 2019, the Company recognized an additional non-cash impairment loss of \$28.0 million. More detailed financial and other information can be found in the Company's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2019, which are available on SEDAR under the Company's profile ([www.sedar.com](http://www.sedar.com)).

#### About Lydian International Limited

Lydian is a gold developer focused on construction at its 100%-owned Amulsar Gold Project, located in south-central Armenia. However, illegal blockades have prevented access to Amulsar since late June 2018. Amulsar is expected to be a large-scale, low-cost operation with production targeted to average approximately 225,000 ounces annually over an initial 10-year mine life. Estimated mineral resources contain 3.5 million measured and indicated gold ounces and 1.3 million inferred gold ounces as outlined in the Q1 2017 Technical Report. Existing mineral resources beyond current reserves and open extensions provide opportunities to improve average annual production and extend the mine life. Lydian is committed to good international industry practices in all aspects of its operations including production, sustainability, and

corporate social responsibility. For more information and to directly contact us, please visit [www.lydianinternational.co.uk](http://www.lydianinternational.co.uk).

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#### Caution regarding forward-looking information

Certain information contained in this news release is "forward looking". All statements in this news release, other than statements of historical fact, that address events, results, outcomes or developments that the Company expects to occur are "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "intends", "anticipates" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "will", "would", "should", or "occur" or the negative or other variations of such terms. Forward-looking statements in this news release include, among others, statements with respect to: the Company's commitment to continue discussions with the Government of Armenia with respect to the disputes; the Company's ability to continue as a going concern; the disputes with the Government of Armenia being resolved; the Corporation's subsequent actions in connection with court rulings; the ability of the Company to resume construction; the ELARD audit and the outcome of such audit; the impact of protests, blockades or similar disruptions on the Company's construction, operations and financial performance; the Company's ability to successfully fund cash obligations and/or meeting obligations; the Company's ability to avoid being in default under its agreement; the realization of mineral resource estimates and the timing of development of the Amulsar Gold Project; adequate financing being available to the Company; and the Company's ability to find an acceptable strategic alternative. Statements concerning mineral resource estimates may also be deemed to constitute forward-looking information to the extent that they involve estimates of the mineralization that will be encountered when the property is developed.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such risks, uncertainties and factors include, without limitation: changes in gold and silver prices; adverse general economic, political, market or business conditions; failure to achieve the objectives of the future exploration and drilling programs; regulatory changes; as well as "Risk Factors" included in the disclosure documents filed on and available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guarantees of future performance, and actual results and future events could materially differ from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. All of the forward-looking statements contained in this news release are qualified by these cautionary statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

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