

Lydian Announces Fourth Quarter and Year Ended December 31, 2018 Results

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TORONTO, March 12, 2019 - [Lydian International Ltd.](#) (TSX:LYD) ("Lydian" or "the Company") announced today its results for the three months and year ended December 31, 2018. All dollar amounts referenced in this news release are, unless otherwise indicated, in United States dollars.

Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Gold Project. A continuous illegal blockade at Amulsar has been in place since June 22, 2018, causing construction activities to be suspended since this date. Access has generally been limited to activities related to contractor demobilization and winterization. The Government of Armenia has not enforced the rule of law to remove the illegal blockades at Amulsar and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has taken certain actions and failed to act on other matters. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by the senior lenders, stream financing providers, and equipment financiers. As a result, the Company entered into the Amended and Restated Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers (the "A&R Forbearance Agreement").

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 Amendment to the Senior Term Facility Agreement dated January 15, 2019. Thereafter, the Company will be dependent upon the resumption of construction once the illegal blockades are removed, the Company's ability to successfully fund its cash obligations from external sources until construction is complete, and sufficient cash flows from operations being generated. Alternatively, sufficient funding will be required until a strategic alternative can be arranged, if at all.

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

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the A&R Forbearance Agreement, as a result of the actions and inactions of the Government of Armenia there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations or find an acceptable strategic alternative. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

More detailed financial and other information can be found in the Company's audited annual financial statements, management's discussion and analysis, and annual information form for the three months and year ended December 31, 2018, which are available on SEDAR under the Company's profile (www.sedar.com).

Fourth Quarter 2018 Highlights and Recent Developments

Treaties – On March 11, 2019, in connection with the ongoing blockades of road access to the Amulsar Gold Project, Lydian U.K. Corporation Limited (“Lydian UK”) and Lydian Canada Ventures Corporation (“Lydian Canada”), subsidiaries of the Company, have formally notified the Government of the Republic of Armenia (the “Government of Armenia”) of the existence of disputes with the Government of Armenia under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Armenia for the Promotion and Protection of Investments, in force since July 11, 1996 (the “UK BIT”) and the Agreement between the Government of Canada and the Government of Armenia for the Promotion and Protection of Investments, in force since March 29, 1999 (the “Canada BIT”), respectively.

Hydrogeological Survey – In January 2019, the Company announced the conclusion of an isotopic investigation of groundwater systems at the Amulsar Gold Project and the Jermuk area. This survey had been voluntarily commissioned by the Company despite not being legally required to do so. The results of the hydrogeological survey expand on and confirmed the findings of the Company’s previous work in 2013 and support the findings of the Environmental Impact Assessment (“EIA”) and the Environmental and Social Impact Assessment (“ESIA”) for the Amulsar Gold Project, conclusively demonstrating that there is no hydraulic connection between the groundwater regimes at the Amulsar Gold Project and the Jermuk area. The Company reiterated that the Amulsar Gold Project is designed and developed following industry best practices to ensure the mine would not have an adverse impact on any surrounding water systems.

ELARD Audit – The Company received formal notification from the Special Investigative Committee of the Republic of Armenia that pursuant to the criminal investigation into alleged abuse of power by employees of the Ministry of Environmental Protection, an international consultancy group, Earth Link and Advanced Resources Development (“ELARD”), has been selected to review all subject matter covered by Lydian’s EIA and ESIA, to determine the possibility of harmful impacts by the Amulsar Gold Project and the validity of preventative and mitigation measures. The audit is expected to take approximately 12 – 16 weeks to complete, following the conclusion of any agreement with ELARD. The following terms of reference were given to ELARD: (1) water resources impact assessment; (2) geology impact assessment; (3) biodiversity impact assessment; (4) air quality impact assessment; and (5) unprejudiced clarification of technical issues raised by the decision to commission a complex expert examination. While Lydian is confident that the audit will conclude that the EIA/ESIA documents are valid, there can be no assurances on the outcome of the audit.

Cost Containment – The Company has taken increasingly significant measures to reduce costs during the period of blockades. Initially, cost reductions were initiated in a manner to best support a restart of construction upon the removal of the illegal blockades. However, as the blockades have continued additional reductions were required. This has further reduced the Company’s capacity to restart construction on short notice.

Lydian has reduced personnel and terminated nearly all construction-related contracts. Additional cost reductions are in process and will continue during the period of forbearance as discussed above. To date, 243 employees have been dismissed. This represents a total reduction in the Company’s workforce of approximately 83%. In addition, an estimated 1,100 contracted jobs have been lost. Re-issuance of construction contracts will only be possible upon removal of the illegal blockades. The extent of a construction restart will be dependent upon weather conditions once access is re-established at the Amulsar Gold Project site and is contingent upon the availability of funding.

Government Affairs – The Corporation and other stakeholders continue to work across many levels of government and with local communities to have the illegal blockades peacefully removed and to allow construction to continue concurrent with the various audit initiatives initiated by the Government of Armenia. Despite these efforts, and notwithstanding the current government’s intolerance of other illegal blockades in country, Lydian has been prevented from restarting construction activities.

The Republic of Armenia Environmental Protection and Mining Inspection Body completed its previously announced compliance audit of the Amulsar Gold Project in August 2018. The report resulted in a series of recommendations, none of which were deemed unmanageable. However, following the inspection report, Mr. Artur Grigoryan, head of the Republic of Armenia Environmental and Mining Inspection Body, issued

Resolution 30-A ordering the Corporation to refrain from any mining-related activities until the Ministry of Nature Protection conducted a study of ecological factors, namely the alleged presence of newly found red-listed plants and animal species at the Amulsar site. Such studies were completed by the Ministry of Nature Protection, concluding that there is no evidence of such newly found red-listed plants and animal species at the Amulsar site. However, Mr. Artur Grigoryan did not rescind Resolution 30-A and the Company filed a lawsuit appealing this directive. In December 2018, the court accepted the Company's lawsuit, which resulted in an automatic suspension of Resolution 30-A until the appeal is heard and determined.

A second fact-finding working group of multiple members commenced in August 2018 to evaluate potential social, economic, environmental, and health issues that may arise as a result of the project. Upon completion of the audit, Lydian received multiple reports and has submitted responses. While clarifications and appeals are ongoing, all findings appear manageable.

Despite this issue having been considered by the Armenian government as part of Lydian's EIA in 2012, the Prime Minister has ordered a third evaluation to consider, among other things, possible impacts of the Amulsar Gold Project on water resources. On November 8, 2018, the government announced a request for proposals for an international third-party review of Amulsar. The Government of Armenia announced the scope and timing of this audit in January 2019 and allocation of funding in February 2019. To the Company's knowledge, the audit has not yet commenced. Once it begins, it is anticipated to require 12 to 16 weeks to complete.

Financing – On December 21, 2018, the Company entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to: (a) continue to temporarily suspend all principal and interest payments due and payable (provided that interest shall accrue on all principal and interest during the forbearance period at a rate which is 2% per annum higher than the rate which would otherwise have been payable), and (b) continue to forbear from declaring or acting upon, or exercising default related rights or remedies under such creditor's financing agreement with respect to certain events of default, in each, until the earlier of (a) June 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the A&R Forbearance Agreement. Orion CO IV (ED) Limited, Resource Capital Fund VI L.P. and Osisko Bermuda Limited also committed to make available up to \$18.56 million pursuant to a new Term Facility B to fund the Company during the forbearance period through an amendment to the Company's existing senior term facility agreement.

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.

For further information, please contact:

Doug Tobler, Chief Financial Officer Pamela Solly, Vice President of Investor Relations
+1 720-307-5087 +1 720-464-5649

Or: moreinfo@Lydianinternational.co.uk

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 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. 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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