

Lydian Announces Second Quarter 2019 Results and Corporate Update

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TORONTO, Aug. 12, 2019 - [Lydian International Ltd.](#) (TSX: LYD) ("Lydian" or "the Company") announced today its results for the three and six months ended June 30, 2019. All dollar amounts referenced in this news release are, unless otherwise indicated, in United States dollars.

Second 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.

Financing – The Company entered into the Second Amended and Restated Forbearance Agreement ("Second A&R Forbearance Agreement") on July 1, 2019 with its senior lenders, stream financing providers and equipment financiers. Pursuant to the Second A&R Forbearance Agreement, on July 8, 2019 the Company (a) issued 27,782,460 ordinary share purchase warrants to certain of its equipment financiers which represented 3.5% of the Company's issued and outstanding ordinary shares (on a fully diluted basis), (b) made a \$1.0 million payment on the Term Facility with Cat Financial (the "Cat Term Facility") and reserved \$2.0 million of Term Facility B's remaining capacity for payment of the Cat Term Facility. Also, on July 1, 2019, the Company entered the Fourteenth Amendment to the Term Facility whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B.

New NI 43-101 Technical Report Feasibility Study ("Feasibility Study") – The Company has contracted with a firm to develop a new NI 43-101 Technical report. The Company expects the Feasibility Study to be substantially completed during the third quarter of 2019.

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. On August 8, 2019 the Government of Armenia announced that they had received the final results from the third-party regarding the audit and will be ready to come to a conclusion on the matter shortly. The Company has not yet received a copy of the final audit results. The Company does not accept the need or legal basis for this audit but continues to cooperate fully with this audit as it progresses.

Court Rulings – Armenian courts have 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 ("Police") to remove trespassers and their property from the Company's Amulsar Project site. Since the Police had not appealed the Court's decision within 30 days after the Court's ruling, the Company was expecting the trespassers and their belongings to be removed by the Armenian Police, and the Company's access to the site restored. This did not happen, despite the Police re-locating some of the trespassers' trailers blocking the Amulsar access roads to other locations, the Company's access to site has not been restored. The Company has filed a motion with the Court asking for an additional ruling in the dispute. The Administrative Court declined the motion on two occasions; 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 certain protesters. On May 29, 2019, the Company received notification of an appeal by the Prosecutor to the Cassation Court (Armenian Supreme Court). The Company does not know if or when the Cassation Court will accept the case.

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 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. The Company has been dislocated from the Amulsar site and its access has been limited to contractor demobilization and winterization during the fourth quarter of 2018 and one day of limited, Police escorted access in the second quarter of 2019.

The Government of Armenia has not enforced the rule of law to remove the illegal blockades at 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 several agreements with its senior lenders, stream financing providers, and equipment financiers. More detailed information about these agreements can be found in the Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 2019. As a result of these circumstances, the Company has incurred significant dislocation-related costs.

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 Second A&R Forbearance Agreement and funding under the Fourteenth Amending Agreement. Dislocation-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 Second 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 Second A&R Forbearance Agreement, the Fourteenth 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, the Company 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 Second A&R Forbearance Agreements, the Fourteenth 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. Changes in future conditions could require additional material write downs of the carrying values of certain assets.

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 and six months ended June 30, 2019, which are available on SEDAR under the Company's profile

(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.

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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 timing and completion of the Feasibility Study; the Corporation's subsequent actions in connection with and the outcome of the court rulings; the ability of the Company to resume construction; the third audit and the outcome and timing of completion 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 agreements; 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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