

LYDIAN INTERNATIONAL LIMITED – IN LIQUIDATION
(The “Company”)

Company Number: 99477

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FINAL REPORT TO CREDITORS
FOR THE PERIOD FROM 11 SEPTEMBER 2020 TO 20 JANUARY 2021

20 January 2021

On 11 September 2020, following an application by the Company, the Royal Court of Jersey duly ordered that the Company should be wound up under Article 155 of the Companies (Jersey) Law, 1991, (as amended) on a just and equitable basis, and Andy Wood and Alex Adam of Deloitte LLP were appointed Joint Liquidators (the “Joint Liquidators”) of the Company.

This report has been prepared for the sole purpose of updating the creditors for information purposes. The report may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by the creditors for any purpose other than updating them for information purposes, or by any other person for any purpose whatsoever.

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ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used:

"Law"	The Companies (Jersey) Law, 1991, as amended
"Liquidators" / the "Joint Liquidators"	Andy Wood and Alex Adam of Deloitte LLP
"Court"	The Royal Court of Jersey
"Company"	Lydian International Limited (In Liquidation)
"Act of Court"	Order of the Court dated 11 September 2020
"Lydian Armenia"	Lydian Armenia CJSC
"CCAA"	Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (Canada)
"Ontario Court"	Ontario Superior Court of Justice
"Deloitte"	Deloitte LLP

1. INTRODUCTION

1.1 Introduction

Further to our appointment on 11 September 2020, as Joint Liquidators of the Company, we present our report to creditors on the conduct of the liquidation.

1.2 Background and appointment of the Liquidators

Lydian International Limited was the public parent company of a group of companies (the “Lydian Group”) focussed on the development of the Amulsar gold mine in Armenia (the “Amulsar Project”), operated by Lydian Armenia.

The Amulsar Project was funded by a combination of equity and debt capital, and financing arrangements particular to the mining industry. The financing arrangements were secured by substantially all the assets of Lydian International and Lydian Armenia.

Construction of the Amulsar Project began in October 2016 and was over 75% complete by June 2018. However, since that time, Lydian Armenia has been unable to access and complete construction at the Amulsar Project due to, amongst other factors, unlawful blockades by protestors and the arbitrary actions and challenges by officials of the Government of Armenia to previously granted mining rights and permits held by Lydian Armenia.

As a result, the Lydian Group suffered significant financial losses, and, as creditors and shareholders will be aware, this resulted in the Company and a number of its subsidiaries (the “CCAA Applicants”) seeking creditor protection in Canada under the CCAA, with an order being granted under the CCAA on 23 December 2019 by the Ontario Court on the grounds that the CCAA Applicants were insolvent.

The CCAA Applicants’ efforts to regain access to the Amulsar Project and to monetize the assets of the Lydian Group through, among other things, a sale and investment solicitation process with respect to the Amulsar Project were ultimately unsuccessful, and the CCAA Applicants’ senior lenders indicated that they were no longer willing to continue funding the CCAA Proceedings and were prepared to take enforcement steps with respect to the Lydian Group’s property. As a result, the CCAA Applicants determined that the best way to preserve value for the Lydian Group’s stakeholders was through the implementation of a Plan of Arrangement (the “Plan”), which was approved by the Ontario Court on 29 June 2020. Under the terms of the Plan, the assets of the Company were transferred to a new entity controlled by its secured creditors (such creditors being the only parties with any remaining economic interest in the Company).

Following the implementation of the initial steps of the Plan, the Company was insolvent with substantial liabilities and no substantive assets. Therefore, as envisaged by the Plan, an application was made to the Court by the Company for an order to be granted that it be wound up on just and equitable grounds pursuant to the provisions of Article 155 of the Law.

As a result, Andy Wood and Alex Adam of Deloitte were appointed Joint Liquidators of the Company on 11 September 2020 pursuant to an Act of Court of even date which authorised them to carry out all functions, duties and powers by either of them jointly and severally.

1.3 Summary

Following the implementation of the Plan, at the date of liquidation, the Company's assets were limited to office equipment of negligible value and a cash reserve provided by the Company's former secured creditors under the terms of the Plan, and held by the Monitor for the sole purpose of funding the implementation of the Plan and the winding up of Lydian International (the "Plan Implementation Expenses Reserve").

As there are no substantive assets to be realised, the Liquidators will be applying to the Court to conclude the liquidation and seek their release from office.

2 LIQUIDATORS' FINAL RECEIPTS AND PAYMENTS ACCOUNT

2.2 Receipts and Payments

Attached at Appendix A is our abstract of receipts and payments for the period from 11 September 2020 to 20 January 2021.

Receipts

Plan Implementation Expenses Reserve

At the date of appointment, the balance of the Plan Implementation Expenses Reserve amounted to USD 979,323 and CAD 39,412.

Bank Interest

Bank interest of USD138 has been received on cash balances during the period.

Payments

Pre-liquidation Plan implementation expenses

In accordance with the Act of Court, all costs, charges and expenses properly incurred in the winding up of the Company were payable out of the Plan Implementation Expenses Reserve. During the course of the liquidation, the following payments have been made which related to the costs of implementing the Plan prior to the winding up of the Company:

Paid to	Amount
Alvarez & Marsal LLC	CAD 41,013
Thornton Grout Finnigan LLP	CAD 17,729
Stikeman Elliot LLP	CAD 108,185
Mourant Ozannes	USD 74,768
IntegraTek Consulting Inc	USD 7,161
Link Market Services (Jersey) Ltd	USD 3,871
Mining Tax Plan LLC	USD 7,750
Dorsey & Whitney	USD 39
Mediant Communications Inc.	USD58

Plan implementation expenses

The following payments have been made in relation to costs of implementing the Plan during the liquidation period:

Paid to	Amount
Alvarez & Marsal LLC	CAD16,600
Thornton Grout Finnigan LLP	CAD1,853
Stikeman Elliott	CAD40,272
Freshfields	USD25,643

Liquidation expenses

Rent

The Company formerly occupied offices at Bourne House, First Floor, Francis Street, St Helier, Jersey pursuant to a lease dated 2 August 2019 between Zoarces Investments Limited and the Company (the **Lease**). The monthly rent pursuant to clause 4 of the Lease was £490. The Lease was terminated on 17 September 2020.

The Company also maintained a storage unit at Le Gallais Self Storage, 37 Hilgrove Street, St Helier, Jersey, JE2 4SL pursuant to an agreement between F. Le Gallais & Sons Limited and the Company (the **Licence Agreement**). The Licence Agreement was terminated on 15 December 2020.

In order to secure the Company's books and records, the Liquidators agreed to pay the rent arrears and notice period costs on the Company's former offices and storage unit. Those costs totalled USD 1,437.

Storage of books and records

An amount of GBP3,269 (USD4,464) has been paid to G4S for the collection, storage for the next 10 years (as required by the Law) and subsequent disposal of the Company's records.

Liquidators' Remuneration

The Act of Court appointing the Liquidators specified that our remuneration would be on the basis of the time properly given by the Liquidators and their staff in attending to matters arising in the winding up.

Since our appointment, we have invoiced time costs totalling USD60,000 to the Company which has been paid. We anticipate that further time costs of c USD10,000 will be incurred in finalising the liquidation.

Legal fees

£24,668.66 (USD 33,260.50) has been paid to Mourant in relation to advising the Liquidators:

- In relation to the notifications to creditors and shareholders;
- General liquidation matters; and
- The process to conclude the liquidation.

Mourant has advised that further costs of c USD27,000 will be incurred by them in preparing the documents for the application to finalise the liquidation.

Winding up notifications

£1,480 (USD1,971.59) has been paid to Intrado Digital Media UK Limited in relation to a press release for the Company's winding up. A further amount of USD3,848.31 has been paid to Broadridge ICS for sending notices to the individual shareholders advising them of the winding up and appointment of the Liquidators as required by the Act of Court.

3. STEPS TAKEN DURING THE LIQUIDATION

3.1 Notice of appointment

The Joint Liquidators, in compliance with the Act of Court, gave notice of their appointment to the creditors and shareholders of the Company as follows:

- The notice was published on 17 September 2020 on the website of the Monitor at the following link: <https://www.alvarezandmarsal.com/content/lydian-jersey-notices>.
- On 25 September 2020, a copy of the notice was sent directly by email to those creditors and shareholders whose contact email addresses appeared on the service list used in the Ontario proceedings, as provided by the Monitor (the "Service List").
- The notice was communicated directly to all shareholders whose shares are held via the Canadian Depository for Securities ("CDS"), where such persons were prepared to be identified and/or receive notices through the CDS.

On 17 September 2020, the Joint Liquidators delivered a copy of the Act of Court to the Jersey Registry.

3.2 Lease agreements

As noted above, at the date of our appointment, the Company had outstanding short-term lease agreements in relation to an office and a storage facility.

The Joint Liquidators formally notified the landlords of their appointment and terminated the lease agreements with immediate effect.

In order to secure access to the Company's books and records it was decided, with the agreement of the Monitor, to meet the termination costs from the Plan Implementation Expenses Reserve.

3.3 Office equipment

Small amounts of office equipment, located in the office and storage unit were determined to have no value and were therefore surrendered to the landlord or otherwise disposed of.

The exception to this being computers which have been collected by the Liquidators and will be retained by them to ensure the preservation of any electronic records.

3.4 Books and Records

The Joint Liquidators have collected the Company's records from the leasehold premises and have arranged for their storage in accordance with the provisions of the Law for the next 10 years. Certain books and records of the Company are also held by law firms. The Joint Liquidators have been provided with a summary of the categories of such documents and have been assured that they will be preserved. The Joint Liquidators do not propose to call for these documents.

3.5 Correspondence with the Shareholders and creditors

The records of the Company at the time of the winding up order showed the following:

- i. Unsecured creditors for an amount of USD 1,282,357 in respect of professional fees incurred for the implementation of the Plan;
- ii. Unquantified unsecured creditors in respect of unsecured guarantees provided by the Company, to:
 - Caterpillar Financial SARL
 - ING Wholesale Banking
 - Ameribank CJSC; and
 - Maverix Metals Inc.

Due to there being no prospect of a distribution to creditors, we have not sought to adjudicate on the validity of creditor claims.

During the course of the liquidation, we have also dealt with a variety of enquiries from creditors and shareholders, who have, inter alia, sought clarification on the approval and implementation of the Plan and whether distributions will be made by the Liquidators.

3.6 Distributions to creditors

Asset realisations have been insufficient to allow a distribution to any class of creditor or to shareholders.

3.7 Balance of the Plan Implementation Expenses Reserve.

As provided for under the terms of the Plan, the balance of the monies held by the Monitor will be returned to the Company's former secured creditors following the conclusion of the liquidation.

4. FINALISATION OF THE LIQUIDATION

As there are no assets to be realised, the Liquidators have made an application to the Court to conclude the Company's winding up and seek the Liquidators' release from office.

To the extent that any creditors wish to make representations to the Court in respect of the conclusion of the liquidation or this Final Report, they are invited to set out their views in writing to the Liquidators by email (abrancato@deloitte.co.uk), who will ensure that such documents are before the Court. Any such communications should be received by the Liquidators no later than 10 February 2021. Creditors will be responsible for their own costs in relation to this.

Appendix A

Lydian International Limited - In Liquidation

Receipts and payments from 11 September 2020 to 20 January 2021 and estimated outcome to the conclusion of the liquidation

	Paid	Estimated Future costs	Estimated outcome
	USD	USD	USD
Receipts			
Balance of Plan Implementation Expenses Reserve	1,010,266		1,010,266
Interest	138		138
Total receipts	1,010,403	-	1,010,403
Payments			
Pre-liquidation Plan implementation expenses	(224,700)	-	(224,700)
Plan implementation expenses	(71,748)	(187,000)	(258,748)
Liquidators' fees	(60,000)	(10,000)	(70,000)
Legal fees for the J&E process	(33,260)	(27,000)	(60,260)
Office and storage facility rent	(1,437)	-	(1,437)
Winding up notification expenses	(5,820)	-	(5,820)
Storage costs	(4,464)	-	(4,464)
Bank fees	(35)	-	(35)
Total Payments	(401,430)	(224,000)	(625,464)
Estimated balance to be returned to secured creditors			384,939

Note:

All amounts above were paid out of either the CAD or USD bank accounts held by the Monitor.
Amounts paid in CAD have been converted at CAD 0.7851 / USD 1.